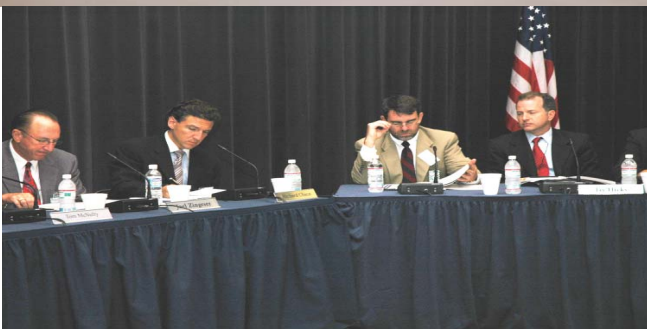




*Industry Advisory Panel
September 22, 2005*



UNITED STATES DEPARTMENT OF STATE

OVERSEAS BUILDING OPERATIONS

INDUSTRY ADVISORY PANEL

MEETING

Thursday, September 22, 2005

U.S. Department of State
Dean Acheson Room
2201 C Street, N.W.
Washington, D.C.

The meeting convened, pursuant to notice,
at 9:45 a.m.

PRESIDING:

GENERAL CHARLES E. WILLIAMS

ADVISORY PANEL MEMBERS:

MARY ANDERSON
 RICHARD CHACE
 SUSAN CONRAD
 WALTER LEE EVEY
 GARY HANEY
 JAY HICKS
 JURG E. HOCHULI
 MARY ANN LEWIS
 PATRICK McNAMARA
 TODD RITTENHOUSE
 PAUL ROWE
 JOSEPH W. TOUSSAINT
 JOEL ZINGESER

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P R O C E E D I N G S

I. OPENING REMARKS BY THE DIRECTOR

GENERAL WILLIAMS: Good morning. We have a big room this time, and we didn't know what was going to happen, so we ordered the big place. This is the room, the Dean Acheson Room, where the Secretary of State, the President has been here many times. The Secretary of State makes all the presentations here. So we thought that it was appropriate that we start with our meeting here. So you're in the Dean Acheson room.

What I'm going to do this morning is give you a little update on where we are. It's important that you know, particularly our panel members and those of you who are visiting, know where we are with the program and where we are headed.

I should say that this first slide talks about the vision of our Secretary. Secretary Rice has been an absolute steward on the standpoint of transformation diplomacy, and she has linked this to, asked each of us to link to this to everything

that we do, and of course ours is linked to the platform.

Borrowing a few words from former Secretary of State Colin Powell, we've got to get these projects completed on time. That's the reason it's 24 months, guys and ladies, and we have to be at budget, and that's why we are employing that rigor and by the most efficient means possible.

Now, I do want to say a word or two before we get started linked to that vision, and that is on Thursday of next week, I've been invited by some kind people to keynote a top firm in America, the United States, a forum that's being sponsored by the E and R Magazine, and we will be talking at that presentation about something new, and it's on the next slide, and I'm going to introduce it to you.

The mantra going forward is going to be new ways to think and new ways of doing business, and we're rolling out for the first time before this audience in Los Angeles on Thursday, and they

have already previewed the presentation, and we will put that in place. It's principally for industry because we do have to speak about new ways and new ways of doing things.

More on this slide, we have organized ourselves around a structure today that will touch the leading edge of technology for the future. We want to go away from just the normal sorts of business and begin to put in place some new green building and sustainability technology that will link to our already fully-developed standard embassy design.

So that's kind of where we're headed. We'll put the trimmings on it out there, and then it will be available, obviously, for dissemination going forward.

Our mission is on the next slide. The mission is a big one. You all know it, particularly the panel members. We do everything and anything that's associated with facilities around the world that the U.S. Government, State Department would have anything to do with.

Our span of responsibilities is on the next slide, and it's a big one, 57,000 Department of State employees with the breakdown on the upper left-hand corner, and you can see the other numerics that speak to this responsibility.

The portfolio is next, and it's big, averaging a billion and a half of placement or a billion and a half of program per year. That number shows about four billion under management. Actually, it's five and a half because before this was done, we had not added some other major work. As you can see, it's about 15,000 properties around the world that we have to be concerned about, and that's the portfolio.

The next slide shows a problem. It's a big problem, and the panel who has been working with me over the last three and a half years understands that our State Department portfolio is quite different than the rest of the world. We're 40 years in age versus about 20 for everyone else, and that is a problem.

This next slide speaks to the new

construction program. Before I talk about the new construction program as listed here, I want to say a word or two about Baghdad, because when you were here last, we had just received very strong support from the Congress and our President on a supplemental, and we indicated that we were going to be moving out with that program. We have done that. New ways to think and new ways of doing things, that's where the mantra was that was put in place, quite frankly, and that's where we'll be testing this out during our presentation.

The long and short of it, we're out of the ground, 10 percent complete. We're on a 24-month fast track, 21 months left--21 months left. Four out of the five major simultaneous construction packages are on the ground and working. This morning, 581 workers, 152 pieces of equipment, and this simultaneous Fort Drum model construction is coming out of the ground. It will be a test band for innovations going forward. We have put a heavy dose of risk allocation in place where the government for the first time is

shouldering a major portion of the risk. This is a new twist, because what was the problem, as I was told, was something called a Baghdad factor. So we eliminated the Baghdad factor and put that risk on the government.

This next slide shows what's on our plate. This is the core program. You can see 36 new embassy compounds valued at slightly over \$3 billion. I'm not going to read all the rest, but it's a lot of work.

This next slide speaks to our standard embassy design. This is the package. We have a gross version of this in Baghdad, but the standard version is around a 10-acre site and we generally produce these structures.

The next slide is going to be sort of a travel log now. I'm going to run you through the projects so that you don't have to believe me; you can see it. I learned that in 101 back when I was in the Pentagon before Lee Evey and others got there and that you have to not only speak it, but you have to show it, because somehow we are a

little skeptical in our business, and so I like to show it.

This is Doha's. It was done two years ago, up and running.

Lima, Peru is next. It's a big annex, done, open.

Tunis in Tunisia, Northern Africa, up and running a year and a half on the clock.

Dar es Salaam in Tanzania was one of the first of the new complexes we opened, because you know it was a resultant of the horrific bombings in 1998.

This next one is Dar es Salaam again. I'm showing the MSGQ. This has become now the model for our MSGQ. See, the whole trick here in industry is to not repeat the obvious. Once we get it right, then that's what we will build to. There's going to be a lot of discussion going forward from this day forward on this standard design, because once we standardize something and it works, it's been proven in the field that it works, we're going to hand you a copy of those

construction documents, and that's it. Tweaking is going to be in the past, new ways to think, new ways of doing business.

This shows Dar es Salaam, the USAID building, which is another major tenant on this 15-acre complex.

This is Nairobi, now two years old. It's been tried and tested and the building works as we anticipated.

This next slide shows the MSGQ, which was a follow-on. It is done and commissioned, and the USAID component on the next slide is about 62 percent complete. The long and short of it is that that compound is about ready. As you know, we did not have the full complement when we started three years ago.

Istanbul, Turkey is next, done and won a lot of awards.

Zagreb is next. We transformed, speaking of transformation, a corn field into a place where it is now the focal point for the development in Zagreb.

This next slide is Sao Paulo, Brazil. It's a remake of a 22-year-old Swiss pharmaceutical plant. Now it's the largest consulate operation in the inventory.

The next slide, Abu Dhabi in the Emirates, it's done and probably will be the last time you see a design that looks like that.

The next side, Tirana, Albania as the MSGQ, it is done and up and running. Tirana, Albania Annex is about 75 percent complete, pushing to get this done by Christmas.

Sofia, Bulgaria, and if that's not what my folks have been told, they just heard it from me by Christmas. Okay. So Sofia, Bulgaria, this is where we are. It's done.

Yerevan, Armenia, way, way out there. The president of the country said to me at the dedication that this is the most impressive public facility in my country, quite a testament.

Abijan, Cote d'Ivoire was opened about a month ago. It is now functioning.

Abuja in Nigeria was open on that same

trip about a month ago. It is up and running.

Kabul, Afghanistan is in the 99.998 completion stage, going through its final version of accreditation. You know this is Phase II of the Kabul complex, and then there is even a Phase III that's following along, but this is the critical point. What's to the left is the new building, and this right picture shows the interior atrium. This was sort of a quick project that was put in place early on to eliminate some overcrowdedness and to allow our USAID component to get on board.

Luanda, Angola is listed next. We will be out in about three weeks to commission this building.

Phnom Penh, Cambodia is getting very close, and that too will be completed and signed off before Christmas, and we'll commission it the first part of January.

Yaounde, Cameroon will be commissioned in about three weeks, done and on the same trip that we will take to Angola.

Dushanbe, Tajikistan is problematic.

It's problematic because we used an out-of-the-box concept which we all were fully aware of, although we're 96 percent complete, but closure around the last 10 percent is creating a little difficulty, but you learn, and this will be the last time we take that right turn in the road.

Cape Town, South Africa will be open on this same trip three weeks from now in spite of it's 95 percent complete, and that will give us three new openings in October, adding to the five that we have opened so far this year, which will make the State's total of deliveries to eight when we return in October. Anyone keeping score, that compares to one every two years pre-2001.

Tashken, Uzbekistan is right behind this October threesome. It will be ready before Christmas. It will be No. 9.

Tbilisi in Georgia is right behind Tashken. It will be ready before Christmas. It will be No. 10.

Frankfort, Germany is done, very difficult, a remake of a hospital. This shows the

consulate operation in place. Now, a lot of work to make this happen. It's a refurbished building, a rehab, and everyone knows that that's not my favorite. I've done too much of it through the years, but nevertheless of from time to time, we do have to deal with it. The fortunate thing now is this is open. It will become a regional center, and if it works well, we may be doing a couple of these in other parts of the world.

Conakry, Guinea is about 85 percent complete. That's next.

Bridgetown, Barbados is about 85 percent complete. All of these will be early FY-06 openings.

Freetown, Sierre Leone is up on the top of a beautiful hill, about 60 percent complete. It too will be a 2006 completion.

Kingston, Jamaica is moving along, and that's all I will say about that. Kingston, Jamaica staff housing will become Powell Plaza. As you know, Secretary Powell, formerly, is from Jamaica, and we will be honoring him, hopefully,

with a few things that we have to do on the Hill to make certain that this housing complex--it's done. It's finished. It's functional, and the dedication will occur, I think the latter portion of next month.

Bamako in Mali is next, 45 percent complete.

Belmopan in Belize, Central America, a great start here and new ways to think, new ways to do business, and our project director on site there is clearly employing that mantra.

Astana, Kazakhstan, this is the third stance now with Dushanbe and Tashken. It's there.

Panama City is coming out of the ground, another Central America. It's on schedule, 35 percent complete.

Lome, Togo, a very difficult part of Africa, is coming out of the ground nicely.

Katmandu, Nepal, again, very tough slugging, but things are moving along.

Accra, Ghana, we broke ground here about a month ago when we opened up Abuja and Abijan, and

as you can see, this is coming out of the ground very nicely.

Athens, Greece, we're essentially re-making the existing post or compound into one of our NECs for all practical purposes.

Managua, Nicaragua, again Central America, we had three ground-breakings at the same time: Panama, Managua, and also Belmopan in Central America. All of them are off to a good start.

Algiers, moving along, tough slugging. We have to watch this one.

Rangoon in Burma is under construction as we speak.

Port-au-Prince, a very tough area. We had some insurrection there, you know, and some fits and starts, but we are back focused on the real deal, and that is getting something for our people that looks like what's in the upper left-hand corner.

Berlin in Germany, we have moving along there as well.

Beijing, again another wonderful testament of good tight leadership, good management, a strong team. Things are in place. We have a finite budget, as we have in Baghdad, but we have to get it done, and we have a great team on site, as we have with Baghdad.

Now, before I move, new ways to think, new ways to do business, let me tell you something. We employ the design-build concept principally for our business. I thought about that long and hard as we set in place the Baghdad template for management, design-build. So I had to look very hard at what kind of person we needed out on site to facilitate everybody's understanding of what we were talking about. So we decided to get a cross between a designer and someone who understood construction and put that person in charge of watching the government's business on site. It made a lot of sense because we want to have a very quick field expedient turnaround on design issues and folks who need to explain it, and that's working quite well for us, and we kept capped that

with someone who knew how to deliver projects.

That seemed to a new way to think and a new way to do business.

Next slide lays out what we have in 2005. We hope to get this out of the door by 30 September, a big load and we're working at it. The new facilities plan for FY-06 is the menu you have here, and we'll be engaging industry early on about this.

Remember, new ways to think and new ways to do business, because the old way is going to be tweaked considerably, and I've already telegraphed some of it already, but I can tell you this: When we build, everybody else comes in spite of how much stuff happened to be around. When we get started, these places are absolutely wonderful once we have put this 10-acre pronounced apparatus in place.

Then, of course, we've got a string of best practices, which I will touch on a few during this E and R presentation.

This next ones shows you. This is our Industry Advisory Panel, and those of you who

haven't been here before, you will see this team in action in a few minutes. OBO has been recognized over the last four years, four and a half years, in a number of ways, and that has been because we have had a terrific team. Most of know that I understand industry quite well. I migrated from there before I came. All of the issues that are on your mind, I have been exposed to them, and we're delighted to have industry as a partner.

We brag about this panel. The Secretary and everyone else embraces it. We talk about the partnership and how hard we work together to get it right, and what you just saw is a testament of how this partnership is getting things done for our people.

Thank you very much.

[Applause.]

GENERAL WILLIAMS: Okay. I'm going to ask the panel to come up now.

II. MORNING SESSION

GENERAL WILLIAMS: We're going to move right into the panel. Let me say, first of all, a

very strong welcome to our panel members and those in particular who are sitting for the first time with us. We do have a couple of members who are not able to be with us today, and one is, of course, George Papadoupoulos. George is, as you know, a very active member on our panel, but George is overseas as we speak dealing with some very critical issues, and he has sent in his stead and we have accepted Tom McNulty. So join me in a nice welcome for Tom.

[Applause.]

GENERAL WILLIAMS: In much the same way, Craig Unger, you saw his jubilant face in the picture. Craig too has been very, very active and supportive of our panel. He is also not able to be with us this morning. In his stead, he sent another individual who has been a friend of mine for years, and that's Lee Evey, and most of you might know Lee because he ran Pen-Ren, as the Pentagon renovation at one time.

MR. EVEY: Thank you, sir.

GENERAL WILLIAMS: I also want to make

another bit of recognition for the panel. We have a very active panel. Mary Anderson, who has been with us now for this year, but she was an attendee out there for three years, and Mary has been very, very supportive of our program for four years, and we're delighted that she is a member of the panel. She represented our panel at a Crenwall blast test that our diplomatic security was involved in, and she was instrumental in getting that study into the right medium, and for that, we're thankful.

So, Mary, thank you.

MS. ANDERSON: Thank you, sir, and also I would like to say that it was a very impressive experience to see not only the test itself, but the integration with the diplomatic security, OBO, and DTRA, how they work together seamlessly. It was very impressive and successful test.

GENERAL WILLIAMS: Thank you.

Of course, we have the rest of the members' names in the front. I will just recognize my name. Next to me is Mary Ann Lewis. Michael DeChiara is not able to be with us this morning.

Something occurred just a few minutes ago, and we will be without Michael. Todd Rittenhouse is down to the left. Todd, if you will just raise.

Richard Chace is on that other end as well. Joel Zingesser is here as well. Of course, I've mentioned Mary Anderson and Gary Haney, who is a new member here with us as well.

Okay. That's the panel, and to you, the visitors, and many of you have followed us. I look out into the audience and see faces that I've seen for four years. So I know it's not the food here at Main State. So it must be something else, and so whatever that is, we'll just keep it our secret and keep coming. We're delighted to have you as you move forward.

We also have members of my senior staff here as well. You see them arrayed across and sprinkled within the panel, and of course we have members in the audience as well. So as we get started, we will allow that sort of participation.

Okay. I think we're ready now. We'll move now to the topics for discussion. Those of

you who--let me just say one other point. This fine booklet and everything else that is put together around this presentation room and the interact with you, the members, and the private sector at large is a function of the handiwork of Gina, and I would like to give her a give her a round of applause as well for all of her hard work.

[Applause.]

GENERAL WILLIAMS: So, of course we'll move ahead now with the questions and topics. The first concern that we're going to try to deal with this morning is something that's kind of being been on my mind for some time and it ties into as one of the foundations to this new way to think, new way to do business, and when you consider a schedule--this is Construction 101. When you consider schedule, budgeting the scope of the project, and the control, we all know that these will yield the proper results. Now, today, in this very transitional and to some degree convoluted environment that we have to work in, and I say convoluted because we're looking at the efforts in

the Middle East. We're looking at other domestic problems here that have occurred in our own country. What do you see on the horizon that also be a control measure?

Any comments by a panel member?

Lee.

MR. EVEY: I'll take a shot at that, sir.

GENERAL WILLIAMS: Go ahead, Lee.

MR. EVEY: The first thing that struck me when I looked at your schedule and budget and scope considerations were, first, that I think in the future, we'll be looking for closely at not just at objectives, but the measures of those objectives. For instance, a schedule is an objective. You want to achieve your schedule. How that schedule is used to support your program becomes very, very important and there is a multiplicity of uses.

So I think, you know, not only the specific objective, but how you achieve those objectives becomes important. The thing that would

come to mind immediately is quality, and if can elaborate on that for just a second.

GENERAL WILLIAMS: Sure.

MR. EVEY: As you may know, I'm relatively high in volume. I'm relatively new to design and construction, and when I first came in, I looked in terms of quality. Now I've begun looking at it more in terms of value, and if I could elaborate for just a moment.

GENERAL WILLIAMS: Yes.

MR. EVEY: Quality is one way of looking at a building. People tend to measure quality, I think sometimes superficially and if you don't look at it superficially, you have to look at real value. For example, before we started doing design-build, the way customers would typically measure quality is very often walk into the new building and look at the ceilings and the floor and see the polished marble. There was very beautiful granite on the walls, and there was a wonderful steel control to the elevator, real quality. As we began to move into design-build and we began to

work closely with our customers, especially the people who live in the facility, we began to make that team larger and we began look at the larger considerations than just superficial measures of quality.

We began to develop a different kind of customer. It was a customer who would walk into the new building and facility and say nice marble, nice polished granite, nice controls on the elevator; now I want to go down to the utility area and I want to look at the utility installation and I want to see what it is that you've done to achieve our energy levels; I want to see what it is you've done to achieve the things in this building that we want to accomplish; that's where our real value is; I'm tired of buying buildings that have superficial quality, but I want the value for decades.

When I look at things that represent real quality in terms of performance, those are things are building performance and operation and maintenance characteristics, things like energy

utilization, liability, maintainability, repairability, and operations and needs as considerations in the building itself, and then, finally, a whole series of things about metrics and how you actually start to measure this to ensure not only as an objective, they actual measure them. We know where we are with regard to achieving it. We make sure we've got what we want.

GENERAL WILLIAMS: Very good. You've all heard Lee's take on what's beyond the three traditional sign posts we've had to gauge our projects, and they raise a very interesting issue, and that has to do with quality and then how we work our way through that such that it connects well with our customer. So are there other comments by other members of the panel as we move into this ?

Yes, Joe.

MR. ZINGESER: Can I talk without the mike? Can you hear me? That will avoid the feedback.

Picking up on what Lee has suggested,

this brings up the age-old question of the color of money versus what it is we're doing and what it is we're trying to achieve. We in the government, we fund capital projects on a first class basis. We talk about life cycle costs. We talk about operations. We talk about maintenance. We try to put these very important objectives into the project in general, not just that it will be open, in general, but the reality is that we don't make procurement decisions on that basis for the most part because we're looking at first class expenditures; and the color of money, as we all know, operation and maintenance money is a different color, and the people, unfortunately, that have to deal with those budgets, and I say unfortunately, are often given short shrift in terms of the amounts or the ability to actually apply them to what needs to be done.

So I totally agree with Lee, that the word "scope" is very all encompassing, but if we assume what you mean by scope is the basic elements of what you're trying to build and then you add in

these other values of quality, operation, maintenance, reliability, and so forth, then there needs to be some more serious thought or action at levels like OMB and on the Hill about how we actually not only procure, but how we actually fund these projects. And by these projects, I mean government capital construction projects so that we can make procurement decisions that really allow the best decisions to be made for the life cycle of the building or the project.

I don't know if I'm clear enough on that, but maybe that will spur some more thoughts from others.

GENERAL WILLIAMS: Thanks, Joel.

I think Joel complements Lee quite well by talking about the color of money and how this will impact on connecting these very key dots that we have.

The reason I laid this one out is that I don't believe--at least in my thinking, it's not enough today to just keep harping around what gets us to areas of controlling the budget, the

schedule, and so scope. I think we have to think more on the fringes and think about those other issues that will give us sustainability and the like. Having said that, let's see if we can't look at some of the how-to now to get to and touch some of these other issues that both Lee and Joel has spoken about.

What will be the path get there? You know, we've got some heavy lifting in the government to work and convince stakeholders such as OMB and I don't think as much of the Congress because I think they would--I think they understand where we're trying to go, but what do we see as some of the pathways of getting us out on these fringes and we can put these other very critical dimensions to successful completion of a project on the table?

MR. CHACE: General?

GENERAL WILLIAMS: Yes.

MR. CHACE: If I could, first of all, thank you again. It's nice to see you again. It's nice to be here.

You asked you think on the outskirts of issues, and I wonder if we're already beginning to realize in terms of the geopolitical aspect of this things not so much in terms of money, but in terms of resources, and we look in terms of disasters that have just happened with our own country, one hurricane devastating a city, another one soon to potentially, hopefully not do as much damage, but coming, resources in terms of oil, resources in terms of steel and construction materials that are being consumed by China at a tremendous volume and rate, the accessibility of those resources and then being able to construct based upon our own aggressive time lines our own facilities.

So you ask for how do we begin to plan for this, and the last time we had talked about contingency. I wonder if OBO in a position to start talking about resource contingencies. Do we need to begin to start positioning resources such as fuel, such as raw materials in some of these preplanned facilities, start stockpiling essentially?

In planning for the fact that resources are becoming extremely costly for all countries, not just the United States, but also some of those resources are becoming extremely difficult to obtain. So as OBO is trying to move in this aggressive time line and schedule of constructing all of these new facilities, resources become absolutely critical to make sure that the resource path has been managed, those resources are prestaged in some cases, and so that construction time line can continue without interruption.

So I toss that out, that potentially OBO needs to be looking in ways to warehouse or stockpile or create reserves of resources in order to maintain its aggressive building schedule.

GENERAL WILLIAMS: I think that's an excellent touch against what I call forward thinking, because it's not enough, as has been supported by the responses from the panel to think in the traditional way that this is going to get us there. We really have to consider many, many more avenues. I call it the on the skirts of, the

fringe, but it's those things that are not part of the traditional business when everything is normal, because nothing in our world today, believe it or not, is normal. It's even getting a little abnormal in our hemisphere.

So we have to think marginally on how to get us where we need to go. It's been the introduction of resources. We've got the color of money. We started first with looking hard at value, what are we producing and how people perceive value, and value has linkages to functionality and other things, but where the money is going to come from and what it looks like, and then, of course, with kind of a geopolitical touch, the resources business mentioned, oil, steel, etc.

For us, the old notion of warehousing and stockpiling has been something that we touched on just a little bit last year. We have a couple of little pilot projects ongoing now to start looking at it from the material side, but I think what is being put on the table now is to have us widen that lens a bit and look at these things more

wholistically.

So more thoughts on this outskirts, the the fringe, the kind of things that we haven't traditionally thought about, but they are really center stage to the future and a big program like ours? More comments?

Yes, Todd.

MR. RITTENHOUSE: There's two points to make, and, one, there is probably an iotacism, which is it's not what you think you heard; it's what I think I said, and I think there is an issue of expectation management here to do a job on time, do it on schedule, and I meant the scope of this thousand-page document or whatever it was, but I time find time and again at the end of the day, people come back and say that's not what I really wanted, and if I said to you--you know, OBO says to their contractors and architects and engineers, whatnot, this is what I want, it's going to look like this, yes, it might be boring to you, but I need to put up this and not try to constantly tweak it, and I think really managing expectations up and

down, you have an expectation of what you want. The contractors, architects, engineers, whatnot, and whoever they are--there are many different people that answer--they have expectations of what they want to prove to you, and this isn't a proving ground. This is a construction ground. I think that managing expectations up and down is very important.

The other thing that has happened, an idea that came from this panel a couple of years ago, answers to the stockpiling, you had said order en masse elevators and elevator parts so that, one, if something goes wrong in once city, it's not a specific elevator in new buildings of course, and the stockpiling or pre-purchasing of windows, because that was a long lead item, especially post-9-11. Many people, the insurance industry, as a owner not an insurer, the financial industry are all building more secure buildings now, and so there a greater demand for the window.

So you've gone out and it's another program you have done, and I think you need to go

through the line item, okay, what's the next hardest thing to procure, and then we can standardize and preorder and stockpile. You can stockpile, but it's very important. It has happened on a couple of cases. You look at the next item on that lead list, is it HVAC units, what is it that's causing delays.

So the two points there is managing expectations and take that first idea and expanding upon it.

GENERAL WILLIAMS: Thanks, Todd.

Todd has introduced another think piece as well, and that is--and it gets in the way, quite frankly, of acceptability and ties in back to Lee's value assessment and the like, and that is what is expected from the government. In this partnership as we deal with the ultimate end user, the customer, what is the customer expecting?

Now, if I think back over my days having dealt with dams in the Corps, schools, and embassies, and roads, all of these things, it's not a question of what they generally look like, but

whether or not it satisfying the customer and the end users that must be using them. A school has to function as a school. It has to allow whatever people in the school business would like to have done. It's not a lot about how some of the other things present themselves. A road has to work. You know, it has to work for the purpose intended, and an embassy has to work or a consulate.

So we are in the embassy business. So the focus, I think, that Todd is telling us to think about is let's agree first, the customer and builder, that you want a platform that works. That's number one, and so we don't have to tweak that a lot once we figure out what you want, because an embassy is an embassy is an embassy is an embassy. So is a school a school a school and a highway, highway, highway. Whether it's in Texas or Virginia, it's still a highway.

So I think this is something that we have to pay some attention to.

Let's have more talk about the outskirts, the fringe, the margin beyond the

standard schedule scope and budget.

Yes, Mary Ann.

MS. LEWIS: General, I've been hearing some words here that are my favorite words, value, function, life cycle costs. These are words that relate to our practice of value engineering and your practice within OBO, and I might suggest that value engineering might be a tool that you could use to actually, number one, brain storm some of these outside the box considerations for control, get some technical experts into a room and to facilitate it and to really start discussing these functions, these risks, these costs that are involved to find out what are the opportunities, where do you need to look at different control measures.

As I was listening to Todd, it dawned on me that many of the other federal agencies are using value engineering very early on in the planning stages to get the users, the stakeholders, into the room at the same time so that from a very ly perspective, you understand their wants and

needs. In this case, it may even be getting some of your users who are already in facilities that are up and operational to find out, all right, what about that quality and that value, how is it living in the facility right now, that sort of post-occupancy evaluation approach, but to use their knowledge having lived in the facilities in a V-E formula to come up with new ways to think outside of the box to understand how to define new control measures and to understand quality and value better.

GENERAL WILLIAMS: Yes. Thank you, Mary Ann.

Please.

MR. HANEY: I'd like to add to that. I think that the process of value engineering is much more valuable earlier, especially with the SED program. If you follow the typical program of V-E after design and development, it's too late. We're out there moving dirt and it causes a lot of review. It comes at the wrong time for our particular part of the work, and if you could put

that in the forward portions, it also goes to this idea of managing expectations, because all the stakeholders then are involved in that in a very proactive way.

GENERAL WILLIAMS: This is very interesting because we talked about this as a corporate body about two and a half years ago and about the notion of sort of hitting the value engineering twice, knowing that the rare part of this would be not as productive. We didn't move aggressively into that, because at that time, we were putting in place our standard products and the like and getting some structural things sorted internally.

I think in the period of time now where we have to look on the margin, on the fringes, and look for faster and flexible and smarter ways to do business with the size of our program, we have no choice.

I would like to hear from Bill Minor, if he is around, or if he not around, Joe Toussaint can speak to it. Are you prepared to talk to value

engineering?

Okay. Good.

AUDIENCE MEMBER: The observations made in terms of value engineering runs parallel to some observation that we're seeing in the acceptance rate of value engineering. We're seeing that it's more difficult today to implement. One of the things that we're attempting to do is to step back and value engineer the SED program itself or the SED product itself, and that's an effort that we're going to undertake later this year in October. The recognition has come that a lot of these recommendations are consistently reappearing from one project to the next, and we believe that we can begin to capitalize not only on previous lessons learned, but also taking a step back and challenging ourselves and looking for new opportunities and streamlining value and cost into the standard products itself.

I think the other thing that was mentioned was the opportunity of trying a move forward to value engineering and the planning

process, and that is something we are looking at as well.

GENERAL WILLIAMS: Thank you, Bob.

Lee.

MR. EVEY: Yes, sir. I would make a general observation. I think many of the things that you're hearing, sir, are not technical issues and problems. They're all people issues and problems, and what we're all wrestling with, perhaps from different directions in the direction of value engineering, you could also go from the direction of commissioning and it should also dovetail very tightly with value engineering.

One of the other things that are forthcoming in the industry right now are really changes in the way that people deal with one another more than changes in the way technology comes together. So that's really the problem that we're wrestling with, especially when you start bringing the operators, the maintainers, the customers, the users. As you start bringing them into the process, I know some of the challenges

that we had is we're unaccustomed to being in the process, and I remember the first question we asked our customer early on, which was what would you like to have as a goal for energy consumption in the building, and we just got a blank look because they had no idea where to even begin.

So we had to actually take and educate the customer, give them a range of alternatives, talk to them about what the trade-offs were. Customers are not accustomed to making trade-offs. There are wish lists. They are unaccustomed to saying these are things I absolutely must have, these are things I would like to have, and if I can get these things too, that would be very nice.

We found it very important in order to bring people into the process and make that process effective, we had to be prepared to help them understand more of the world that they're unfamiliar with. I think that's a big challenge for all of us in the changes that are taking place in our industry, but one that could have tremendous benefit.

GENERAL WILLIAMS: A very interesting concept as an offshoot of the value engineering topic, and I agree with Mary Ann that clearly the payoff is on the front-end side, and we're beginning to put this in place as we speak. The only issue about that is that it's four years after the fact, but as I said, we had a pretty full plate.

Lee has introduced another matter which I think fits into the integration side of the house, which you can use that as a placeholder for those issues that must be dealt with up front or they will create problems on the back end. So it's a question as to when you're going to involve the user, when you're going to deal with the expectation that Todd talked about. So it might be time now to start giving some serious thought to putting our manager who is tagged with commissioning the building into the mix of things before the fact, because that individual understands what we are trying to build. He or she can keep the uninformed informed about what the

expectation would be, and then it should make it pretty easy at the commissioning time, because basically we would be reviewing what we all agreed would be the ultimate product.

So more thoughts on this whole issue of the outskirts, the fringes, the margins, new ways, new think pieces?

Yes, Mary.

MS. ANDERSON: Yes, sir. I went out into the community and asked this question, and some of the feedback that I got from the contractor arena pretty much coincides with your suggestion for value engineering, specifically for a design review process and consistency review. Now, also what came up both in the contractor community and in the government community was risk, and if I could read from my notes from the government owners, was that they believe risk control, process control, are important in driving desired results by reducing variation from the desired outcome. Overall project risk is best controlled by assigning particular types of risk to the party

best equipped to control each.

So government risk reduction should not necessarily be the overriding consideration. Communications processes should be controlled by the project team, and information-sharing protocol should be decided up front. Formal partnering and web-based project management software tools which you are using in a project are both useful in controlling communications processes.

GENERAL WILLIAMS: Thank you, Mary.

Once again, we have moved now into the area which impacts cost, impacts budget, and it's that fringe issue around budgets, because it's not enough in words to say control a budget. The ability and the function of controlling the budget is how well you manage risk. You heard me talk about this in my opening comments, and I'll be talking more in this roll-out I'm going to do in Los Angeles , because as the director of this program, and has been a mind set of mine for many years, there should be no mystery about risk.

We know risk is there. The only issue

is who is back it's carried on and, as I Mary pointed out, who is best to deal with it. I think that's where we got a little bit crossed in this way, and the cleanest way is to sit down together in a collegiate fashion and allocate it up front early. We know it's there. You heard me talk about the so-called Baghdad factor. We know it was there. It's a war zone, difficult, whatever. So who has got all of that?

So you just work through it and then it becomes a rather clean shot, and you've got your budgets, your numbers, and all that in good order. So I think this notion of risk is something that we have to pay more attention to, and it has to be a centerpiece when you're teeing the project up and not wait until we're in the mix of it. Ours is very, very pronounced because we're overseas and we are in very difficult places. There's not one place we're working that we don't have considerable risk. We have lots of experience in every corner of the world, but at the same time, we have these risk issues to work through.

For example, we call it rites of passages in our business today. We're trying very hard with the portfolio projects that we're going to roll out in FY-05 and we'll fine tune a way in FY-06 to have all of the so-called rites of passage issues clearly out of the way so we're not speculating about what sort of all the geotechnical conditions we'll have or any of these other matters about height restrictions and etc., etc. These are things that are if you don't answer the question, it goes into the risk bag and you see it again in a budget. So it's best to recognize it up front--it's either there or not there--and move forward.

So I'm pleased to hear this put on the table so that we can begin to look at this as well, because that is out there on the fringe as well. We know risk is there, but we really don't deal with it as effectively as we should.

More comments around this fringe area? Because this is really where we get it right, because this is what gets us in trouble. All of us

have been doing this for many, many, years. We know the budget, scope, and schedule. It's easy to lay these things out there, but what gets us in trouble causes a project to look good or not good are the things that we are talking about right now. It's the fringe stuff, not having the best means and methods of delivering. That's value engineering. Another set of eyes, collective experience, sit and look at the situation and say, Hey, have you tried this? It might create savings or it might help schedule. It might do any number of things.

I think we just have to do more of it.

Yes.

MR. CHACE: From our industry's perspective, which is security, we are involved--and this might go to some of the issues of cost, short and long term, and how we potentially manage those as well through being proactive, through some other measures. I worked with the Department of Energy in a technical solutions working group to help begin to develop

performance testing standards for security equipment. The idea was to test equipment for environment conditions. In other words, let's say a PIR, or a pass infrared detector, be tested under extreme environmental conditions to see what its failure rate was or success rate was, and by doing that, you begin to collect the data base of what types of technologies work under what types of environmental conditions.

They thought this was value, particularly as they were trying to fit and re-secure one of the nuclear facilities, that they wanted to pay for equipment once, not twice or three times. So they felt this was a valuable tool to begin to evaluate these technologies and not in terms of pass-fail, what is good or what is bad, but in terms of how they performed, period. The correlation could probably be very easily be made to different embassies and NECs, different environmental conditions and that if you had a data base where you advocated for these performance-based testing standards for different

type of products--and I'm specifically talking about security here--we could potentially eliminate or reduce costs by getting the right piece of equipment the first time and not have to replicate or try to potential hit and miss a few times the technology that is proposed to work, but environmental conditions prohibit it from working the way it's supposed to.

So if OBO were to take a stance and certainly work with industry to help advocate and develop these testing standards and potentially even work with third parties labs like Sandia to help get some of these standards written and tested, I think we can begin to use this data base in the procurement of different products so that you know what you're getting the first time.

GENERAL WILLIAMS: Excellent idea.

Richard was touching on some matters that would change a little bit the way we look at security in our procurements, because that's a part of this whole mix, and I do think that's an element, too, we have to pay some attention today

to make sure how we procure, how we tee things up, and what we say to the participating industry about what we want.

Clarity is very, very key here, and this set of issues called outskirts, fringes, margins, they are what gum up the clarity when you're trying to deal with issues. It becomes problematic dealing with any type of changed condition because it goes right back to this whole question of where was the risk and etc. or how clear this was, what was the expectation and etc., etc., and the like.

So is there more information?

Yes, Lee.

MR. EVEY: Without trying to hog too much.

GENERAL WILLIAMS: No. We don't have a hog rule here.

MR. EVEY: Because I thought Mary's comments and the subsequent comments have been very, very good, and I'd like to talk just a little bit more about risk specifically, because, you know, risk gets addressed in the contracts, and

that's where it all comes together, and, interestingly, when you look at the contracts and whether they're government contracts or industry governments contracts, what most contracts do in a design and construction industry, it appears, is they assume failure, and if you dissect most contracts that are out there in the design and construction industry, they assume you're going to fail and the rest of the contract is written as an elaborate set of rules about how you're going to beat each other up after you fail. We don't give much contemplation to what it is we're going to do if we're successful. We don't even think about it, which seems a bit odd.

It's not the way you raise your children. You know, if you have a child and they do something good, you compliment them, maybe give them something nice. If they do something bad, you give them a little swat, perhaps. Well, you know, people in the wider community perhaps aren't all that different, but we keep leaving out the nice part. We only have the swat part.

So perhaps we should do something and look more closely at contracts to see if we can't make them more balanced and start to reward that human behavior and interaction that we so much want to accomplish all those things that are on the fringe, and that's what we have to work through. It's the way we have to work to get them done.

Secondly, risk, almost everyone will agree that the person or the organization most capable of bearing risk is the one that should bear it. So often when you see that reflected in the contract, that's usually defined as the other guy, and it's very difficult for people to step up and say here is my fair share of the risk, here's your fair share of the risk, and I think that's something that is a culture as a design and construction industry that we are going to have address more effectively as well.

GENERAL WILLIAMS: Excellent point. It's back to the old allocation issue that we talked about.

Are there other questions? Lee has

advanced us now to--Richard started it, on this whole procurement matter. It's interesting that he mentioned that contracts appear to be written for when trouble starts or failure rather than written the other way. It assumes that certain things will happen. What is your take on that? What is your take on that comment?

MS. LEWIS: I agree.

GENERAL WILLIAMS: Okay.

MS. LEWIS: I have noticed a vast difference in simple subcontracts and contracts for value engineering in the last year and a half. Some of it has to go along with Sarbanes-Oxley requirements, but there's been a drastic change, I've found, for even our simple three-day efforts that is dramatic. In thinking about the contracts, I go back to the concept of schedule and risk. Your whole program is driven by a schedule, a very focused schedule, and that is possibly where some of your greatest risk lies as well, and so maybe thinking of the onerous side, maybe there's a way, you know, that if you recognize a certain standard

embassy design and compound design-build project may not be able to realistically meet the 24-month schedule, maybe there's a way in the contract to deal with that, to say, okay, for this specific one, let's give an incentive if they can achieve the 24 or maybe--you know, I don't quite know, but it goes back to a conversation we've had in the past about incentives, maybe recognizing the risk, giving some leeway, and then offering an incentive to meet the best schedule.

I'm just rambling. I'm sorry.

GENERAL WILLIAMS: No. That's fine.

It's a method to get some dialogue.

Yes, sir.

MR. EVEY: Particularly as you start to move out of the traditional design construction where the contract ends and you turn over the keys and you start to move into environments where we really do try to measure energy performance, measure building performance, measure building operations, perhaps we're looking in the industry in some cases design-build operations and maintain

hundreds, but the contemplated operation and maintenance period of as much as 40 years. Issues at risk and risk allocation and how those contracts are going to deal with those risks is absolutely critical, and unfortunately, although it's an area that has tremendous opportunity for both owners as well as providers, right now I see that area starting to divide because of risk, because of wholesale attempts to push risk off on to designers and constructors in a manner that they simply will never be able to handle effectively.

GENERAL WILLIAMS: Excellent.

Yes, Bob.

BOB FROM AUDIENCE: General, if I may, that really just hit on something that I was trying to start contemplating from the other stakeholders' position, and since I represent you to Congress, some things that both Richard and today touched on earlier about the operation and maintenance environment, the budgeting for that, the expectations of one of our stakeholders is Congress thinks they're buying a solution when we build an

NEC. Their expectation is that this is going to be a platform for diplomacy for a time period and we're not going to be coming back to them to fix little problems down the road once they build an NEC.

So what Lee just touched on makes me wonder what sort of warranties industry has in place for the performance of those generators, those other items, or for the building itself, and how do you reallocate that risk to the builder to have the full value as you touched on. So I just wanted to introduce it from that standard point, whereas we will continue to have pressure not to have our operations and maintenance budget grow as buildings have been replaced even though they may be more expensive to operate because of a size standpoint or for other factors. That's the real difficulty right now, is persuading OMB and the Congress that operations and maintenance is going to be--I didn't want to push us into Question No. 2, sir, but it seemed just the right time to sort of ask that question about the risk allocation.

GENERAL WILLIAMS: Thank you.

Panel? Yes.

MR. CHACE: Just briefly, I think this goes to one of the things that we looked to in security, which is you're not going to eliminate risk. You never will, but you can mitigate it and you can spread it over different areas so it's not centralized in one area, and I believe, as Mary mentioned a minute ago, the schedule sometimes might be the greatest risk, trying to push it into an artificial time line, potentially, potentially, of saying 24 months and that if you miss that, then a lot of other things have a domino effect around it.

Certainly in supply chain and also in the type of equipment that you're procuring, the resource issues, location issues, geopolitical issues you cannot possibly control, you're not going to be able to control everything, but you can certainly mitigate it by making sure that the risk points along the way are fairly minimal. So for any one different section of the project or any one

different piece of equipment you procure, if you can understand and mitigate the risks ahead of time, such as advocating--and I go back to my earlier comment, advocating for the development of performance standards so you know ahead of time what the failure rate or success rate of that piece of equipment is, whether it's security--I know we've done this on other technology areas, for pieces of construction too, and you begin to mitigate and minimize the amount of risk associated with using that piece of technology within your design concept.

I think you can do the same thing in the planning stages as well, but I think it's a misnomer, and I can't believe this panel would ever agree that you can eliminate it. In fact, in my last conversations that we had the last time in July, we talked about risk as well, and it's something that will never go ahead away. I think when you spread it out across different points, you can really minimize the impact of any kind of devastating risk in a schedule or time line or

faulty piece of procurement along the way.

So you look for warrantees. It's very difficult. I'm sure the industry can give you warrantees, but that's not going to eliminate the fact that there's going to be down time if those things have failure, but you have to make sure that the impact is absolutely minimal to the project as whole, and you can plan and budget for that through certain different ways such as some of the standards things that we talked about here and other standards areas you can subscribe to.

GENERAL WILLIAMS: Thank you, Richard.

Let me just sort of connect both points. Bob raised the point of what we call the ultimate stakeholder, the provider of our taxpayers' portion of funding, and, yes, it is the mind set and it should be of that body that once we ask for something, that they assume all of this that we're talking about here has been taken care of, because that's what we're hired to do. We are hired to look at the fringe, to look at the outskirts, look at whatever. So when it's finally done, they

expect it to be done.

Now coming back to Richard's point, which is a very good one, some of us are in business--Lee was in this posture when the Pentagon was unfortunately hit. You don't have a choice about schedule. You've got operations. You've got people. You've got all kind of human capital things that must be tended to, and they have to be tended to in a precise time or as close to as possible. We're in the same situation, as you know. We're digging ourselves out of a deep hole. We have people, real people, around the world that have been hit and killed, and the issue now is get them out as quickly as possible. So schedule becomes what it is for us.

But I think what we are trying to get ideas about, and there's been some wonderful notions put on the table this morning, is how we go after that to minimize what we know, and that is the part of risk. I like Richard's idea of the spread, because this is why we think we ought to get people in together before the fact, all of the

risk totals if you will, and allocate this, and it eliminates discussion. It eliminates a lot of these other issues going forward. The connectivity to O and M is a piece of that, how do we transition this platform into an O and M environment so that it does not cause what Bob just pointed out to be one of the issues in the environment that we work in.

OMB's version, I think, is that as we bring new facilities on board, we ought to be thinking on the fringes, on the edges, and making certain that we deal with systems that are energy efficient, etc., etc., and ultimately--maybe not on day one. There's a ramp-up period--but ultimately, it will have a leveling out or not an increase in operating costs. It's kind of where the government is coming from.

So more questions or comments before we move ahead? This is so centered to everything that we do here.

MR. ZINGESER: I'll try this mike again.

I have a little concern as I'm listening

to the whole conversation. The government is a very powerful entity and certainly is a big engine, and the government's money can do a couple of things. One is it can fund programs, R, D, and D programs and technology programs and so forth, and it can buy things like buildings, and this program is a big aggregated market. One and a half billion dollars a year is a big aggregated market, and that's something the government does pretty well, acts as a big aggregated market.

We've covered the full spectrum in this discussion starting with multiple expectations of the occupants of the facilities and the owners and the operators and so forth, and we need to get those out clearly, and those, then, get defined in a scope, and we have this SED which is the embodiment of that scope, I believe. I mean, that is the scope. Now, we can tweak that as a program. I heard value engineering and so forth. Given the stage of the whole OBO program and prior discussions, you're in a phase now before the new mantra of discipline, drilling down and looking at

how we do what we do better. That's where this, I think, all comes from.

So we get these multiple expectations. They get put in the form of the scope, which is SED, and then you put on top of that, and whatever that scope of is, you put on top of that a schedule, and you say two years, that's it or maybe some minor adjustment. Now you've got these two things. You've got the scope, what I've got to do, and you've got when I got to do it. Then you got the third thing, which is the money or the budget.

The budget isn't just the money. It's the resources, as was said here. Now we've got issues of risk relative to resources, not just the price of resources, the actual availability of resources. In some cases, you identified certain products that were very special and peculiar to this program that you would be--you would go out and procure or make available as a reservoir, and that makes sense. One of the things that you could do, which I would get very scared if you did do, is start to get into the commodities market and start

to buy commodities or have prices set for certain commodities, that you were going to provide these commodities to the contractors, and of course that smells like some other form of government that we're not.

But the notion of looking at what's happening in the market and the scarcity of building materials and so forth, I'll get nervous if we started to look there, but there has to still be a recognition within the program of the impact of what's happening in getting those available, and then that's where we start to again cycle back, and I think the one thing that I think the program needs to continue to do is drill down, just keep drilling down, drilling down, drilling down, and also don't--and I say this emphatically--don't get caught up in a bunch of side bar activities. Don't turn the program into an R, D, and D program for, you know, something, you know whether it's something technological or process driven or whatever.

I mean, this is an implementation

program, and so we've got to get this job done in the time that we have to do it with the resources that we have. Now, that may mean making different decisions on quality or operations, or I don't know where it will be, but I do get a little concerned. I love looking outside the box. I get accused of doing too much of that, but I definitely get concerned if we drape this program with a bunch of other accoutrements that it doesn't need.

GENERAL WILLIAMS: Very well.

Are there are any other key points before I sort of summarize this first issue, this first question around all of the good matters that have been put on the table this morning?

MR. RITTENHOUSE: General, I'd like to make a comment.

GENERAL WILLIAMS: Yes.

MR. RITTENHOUSE: You talked before about risk and the allocation of it. Have you studied--we've done in our business and our industry--where the risk comes from time after time? And previously, we talked about what's the

biggest risk. There's two ways to look at risk, the budgeting and the cost implications as the contractor gives you a price, and then there's the swat part that Lee mentioned, what do you do after it goes wrong.

Going to the first half, we talked before about one common problem, because we are in so many different places around the world, is like a soil geotech report and who takes responsibility for that element, because it's really an unknown. You know, they think it might be this, but you don't know until you actually get a shovel in the ground, which is long after the contract has been awarded. Have you or your staff studied where you end up getting in trouble, you as the State Department or you as in your contractors, get into trouble time and time again?

We always said in construction industry it's not during the design, it's during the construction that the most risk happens. My favorite project is a project that's fully designed and never built because there's no risk there.

Have you looked at where contracts are constantly getting themselves into trouble or they're coming back to you for more money so that you can nip in the bud, as we said before, of perhaps the State Department wants to take responsibility for providing a uniform soil report to the bidders. Then that's an assumed level playing field and will help in that type of risk allocation or risk avoidance in the long term ?

GENERAL WILLIAMS: Thank you, Todd.

Both you and Joel summed this up pretty good for us.

We are in a piece of government where we do not have a lot of wiggle room from the standpoint of coming up with real right turns. We know that we have to deliver these products as soon as we can. We are fortunate today to be--our capital program is funded at a hundred percent. We're thankful to the credibility that's been established before our stakeholders. We have to explain things to make certain that they understand it, but the people who are providing the funds,

they do understand what we're trying to do, and based on their reaction, they appear to be somewhat comfortable with it.

We have to produce, and the reason for having this discussion, we don't want the program to ever be criticized by any form of industry, any taxpayer, that we have not done all the thinking that we can possibly do about however to improve it. So by going through this discussion this morning, whatever little nugget that we can pick up that will help polish what we are doing will be very helpful for us. This is where this panel has been so helpful through the years. They've always been very cautioned to allow us to help us think through those things that would not be disruptive, because the program cannot stop. We have people in harm's way. I don't have any choice. We have our people above the ground in Baghdad in trailers. We've got to get them in something harder. So it's not a debate where we call time out and try to figure out a re-make.

So I appreciate very much what Joel has

said and what Todd has said as well, and all of the discussions that we have had, quite frankly, is to help make certain that we are totally fireproof against have you looked at the connectivity to O and M, have you looked at these other matters which are very important, and we think that there's some lessons out of all of this. I think having this integrated discussion, collaborative discussion up front where we all get all the players in and have them understand what we're going to do, this helps with expectations.

I think the whole introduction of value engineering on the front end--the staff and I have talked about this--has some merit, but in the meantime, we have worked hard and put in a place a standard design. That standard design has to stand the test and employ a delivery method around that which was design-build. Everybody may not exactly agree with it, but that's what we have put in place, and we did this in order to minimize the amount of touching and tweaking and etc., etc., because once we have executed this design and got

all our construction documentation lined up and tweaked and fixed, then that is what we would like to advance to industry in the future so that we've got something that tried and proven and then we will try to work with it.

So this has been very, very helpful for me. As you noticed, these questions, these inquiries, these concerns are listed by title. So you know who put this one on the table, and those who have been around for the last three and a half years or four know that this is has been a constant concern. I want to make absolutely certain that industry knows that we are understand that there is risk, we understand that there has to be some discussion about allocation, and we know we have to figure out a way for all of us to minimize it because industry has some; we have some. And we have to work through that.

Okay. Thank you so much for this interaction. We're going to move now to No. 3. We come back to O and M at another point, and I would like whomever in Joe's shop that brought this one

forward to introduce this concern.

This is Bill Prior. He is the person who is responsible for our construction and gets beat up at least once a week.

MR. PRIOR: At least.

The question basically comes down to we do this design-build process. We often have a very short schedule. There's not a lot of time to make decisions. You've got to make it and drive on, yet we always are looking for a better way or a cheaper way to achieve the same results. Often times, we find these things when we get out on the site and we find the cheaper source of stone or a better stone that will serve the same purpose, but we are introducing--you know, we had a lot of discussion just a minute ago about risk. We're introducing a certain amount of risk when we start talking about is this an adequate product, is this the right product, do we want to accept this product, and it's an issue that I would like to get some feedback on as to just how much latitude do you give contractors to bring into the process after

the design has been completed to make changes like that, to substitute products, whether it be air conditioning equipment or raw materials or process even.

GENERAL WILLIAMS: Okay. You heard Bill's concern. Who among the panel would like to try it?

MR. CHACE: I'll take a stab.

GENERAL WILLIAMS: Please, Richard.

MR. CHACE: Again, I'll speak from just the security aspect of it, and when you talk about in terms of substitutions in security, design of those systems are very specific sometimes to products, and certain products work very well together and some don't. Some have interoperability issues and some don't. In the absence of a universal code for these systems to work from, you really do want to make sure that the products and services you're buying are the ones that are designed to work together, and you could have a domino effect, essentially, of substituting one part of the security system and assuming it's

going to work correctly with the other parts, particularly because most systems now are operated through a network or a LAN and are designed to be interoperable and work together.

So you have to be very cautious about, in terms of technology, is it going to continue to work as specified and designed if you make that substitution. You have to be very careful about looking at all the different fine points of the technology and how it's going to be used, particularly when it's software driven too. You could have really bad problems that are unforeseen, at the outset that worked very well, but when it comes to actual operations and long-term operations will not even come close to meeting what they were originally designed to do.

So I would be very cautious from a technology standpoint of zipping outside the box. If you're able to find a cheaper stone that still does what you need to do, that's different. With technology, I think you have to put it under a microscope with a little more filter on it to make

sure it is going to do what you have designed it to do.

GENERAL WILLIAMS: Okay.

Yes, Mary Ann.

MS. LEWIS: General, I quizzed the folks on the other side of our house who are all programming constriction managers and do a lot of commissioning, and we have a general rule of thumb. We are involved in quite a bit of design-build as well, and the rule is that in addition to submitting--having the design-build contractors to submit a proposed change, he must also give us the life cycle cost implications. He needs to do the life cycle cost analysis and we at the same time do our own independent life cycle cost analysis.

So as we're looking at the proposed change, we're looking at not just the initial is this a less expensive alternative, but what are the costs implications of the future for our operations and maintenance, and this can be equipment. It could be building facade. It can be almost anything.

GENERAL WILLIAMS: Excellent.

Yes, Joel.

MR. ZINGESER: The question is a little perplexing to me. As a design builder, at the point in the time that we have submitted and you have approved the design, we now are in bed together on that design. We have agreed to deliver that design for a price and at a certain time, and there is no latitude. There may be decisions to make changes that you have to make together because they're in the best interest of the project, whatever that might mean. It might mean saving time. It might be a higher performance. As you get into environmental concerns, lead criteria for example, the evolution of new products is daily in terms of products that perform better, in terms of environmental concerns.

At one point in time, low VOC paint was a big to-do. Now it's a non-issue. I mean, it's there, but the changing of a product or any kind of change, a material product or a piece of equipment or whatever, at that point, there is no latitude in

terms of the way the question is worded, but because we can or we may have the opportunity to do better, we will as a design builder always come forward with those ideas.

Now, again, I totally agree. If we're talking about a substitution of some sort, the onus is to indicate it's at least going to perform as well as whatever you're substituting or that there is some margin that it's maybe not an equal, but it certainly meets your, quote, expectations or your criteria.

Again, my main point is, you know, once that design is approved, we treat it as gospel.

GENERAL WILLIAMS: Yes, please.

MR. HANEY: I would like to also say I found the question a little confusing, because it does mix and match two different steps in the process. Like the substitutions after the design is has been approved, I think is the key phrase. I mean, before you get the contract, the design should be approved.

But it's also a difference--this goes

back to an earlier conversation about the difference between design-build for the private sector and for the government, and we have to be very careful not to mix and match those, because in the private sector, latitude is encouraged because you're trying to get the best and most aggressive products, prices, processes from the private industry. In the government, it's a little different, and I would also--one thing from the earlier question that really bothered me was this idea of creating incentives in a public design-build. This may not be popular with the rest of the panel, but I think that is a terrible idea. In fact, as a practicing professional, having fee incentives for me to do what is the best practice, in my professional opinion, is confusing and I have never seen a case in the private sector where a fee incentive did not affect the end quality of the product.

So I would argue against that as something to incorporate. The whole idea of design-build is to capture what the private sector

is good at and to transfer risk sometimes. So I think once your design is approved, then your latitude is limited, and I think part of the question is going to appear later on in terms of more work needs to be done before it goes out to bid so that everybody knows what's been being bid on. I think that's the real crux of this.

GENERAL WILLIAMS: Very excellent feedback. Are there others?

Yes.

MS. ANDERSON: I recently attended an NAFAC forum where this same issue was brought up, and the response from the Navy was that they're developing a policy that would probably not allow any changes without the approval of the contracting officer once signed drawings have been approved. The only exception would be to change a condition in the design that did not comply with the RFP requirements, but which was missed in the design review, i.e., changes that were advantageous to the government and not to the contractor typically.

GENERAL WILLIAMS: Thank you. That's

the Navy's take, another large government entity that's in the same business that we are in, and it ties in to comments that we have heard before here.

Are there others?

Yes.

MR. ZINGESER: I have one more.

GENERAL WILLIAMS: Yes, by all means.

MR. ZINGESER: I don't know why this didn't dawn on me a couple of minutes ago, but maybe what's behind this question--and where's Bill again--is maybe somehow related to a meeting that that AGC had with members of the staff and talking about the specifications, if you will, and what was out on the street and so forth. I

The issue there goes back to expectations, and the difficulty occurs when the owner puts out a procurement package, whether it's performance based or proscriptive or bridging documents or an SED or whatever, and that package has within it certain requirements that everybody that's doing the job knows you don't really mean, that in the end, you've done it this way for a long

time, you've seen it, and once in a blue moon, you might actually want what you're asking for, but isn't what you want, and it might be a particular material or a system or something. That's a very different problem than what was stated here, and that is a problem, and, again, I've been here three or four years now, and the speech that I make all too often is that design-build requires much more rigorous effort on the part of the procurer than you might first think, for sure, and then that it's imperative that the owner be very clear on what it is you want to buy and how you're going to measure the alternative designs you're going to get under design-build, and that's a lot of work, especially if you go down the performance road.

I mean, it's easy to do it proscriptively. You might want soda at the super market, and you can talk about whether it's Coke or Pepsi or whatever, but if you want to design soda in performance terms, it's a liquid that's mostly H₂O that has blah, blah, blah, blah, and so you go through some whole set of criteria in terms of what

you expect to get out of the soda. That's a hard thing to do.

I'm digressing. My point is that the performance procurement and the design-build procurement, whatever form it takes, has to be very clear in terms of what it is you want and how you're going to measure it.

GENERAL WILLIAMS: Excellent.

Please.

MR. HANEY: To reinforce that, I think that this idea of having the informational burden earlier is key, and in many ways in the experience I've had in both SED and non-SED is that the SED is not capturing the value that I can bring to the project. I should have been there before the RFP went out, and then once that goes out, whatever value I brought to the project is captured in that RFP so that in terms of organizing the program and answering all of these test fits, all of that stuff will be much more valuable in terms of what I can bring to the table and architects in general if it's sort of in the front.

I think it would actually answer a lot of these follow-on questions, because when the package goes out, then that's it, that's what you want and no questions. All the stakeholders, the users, the security people are all on board, and it's a neat little package, and I think that will answer a lot of those questions in terms of getting more information earlier into the RFP.

GENERAL WILLIAMS: Very good. Are there others?

Yes, Lee.

MR. EVEY: I'll try to make this brief. There's a lot of information that's been placed on the table here, and we actually provide courses in this that go on for some several days. I'll try to be more brief than that.

First, there are different types of design-build. There are different ways to do design-build, and different types of design-build equates to different environments that you find yourself in. So people who are dealing with particular unique situations or different

circumstances may use a different type of design-build for their particular situation. That's not the only way to do it. It may not be the best way to do it in a different situation. It just may be best for your particular situation.

OBO uses a particular type of design-build that you firmly believe fits your circumstance, but we need to be clear about which type of design-build we're accomplishing, what technology we're using and what kind of limitations are allowed as a result of that.

So I'm going to try to go through this a bit. You use in the design-build environment a very proscriptive specification, not a performance spec. In other environments, you might use it, and there are advantages and disadvantages to performance specs versus design proscriptive specs, and you have advantages and disadvantages to everything in life. Okay? Any time you make a decision to do any one thing, there are advantages and disadvantages that come with that. So I'm going to walk through some of the comments I've

heard here.

First, it requires in design-build more effort by the procurer, and an example was given of soda for a performance spec. Well, I agree. I think design-build does require more effort by the procurer, and I think that's exactly where the effort is needed and required, and I think that's exactly where it should be. I think the benefit that accrues from that is well worth that effort and pays you over many times, the additional effort that's required at that point, when you go to the design construction and operations and maintenance.

With regard to performance spec, and I know that isn't your choice, but I would like to address that if I may. You're talking about soda would have so much carbonation, so much syrup, so much this and that. I think everyone's familiar the famous specification that the government has for--I think it's coleslaw. It went on for 24 pages, if I remember. It's one of the more famous government specifications. That was a proscriptive spec. That was not a performance spec. And you

know how you got there? You got there one page at a time because you started off with a single page proscriptive specification for coleslaw, and somebody came along and found out to how to slip some ingredient in there that met the minimum requirements of the specification and yet still did not give you the coleslaw you wanted. So you added a second page and you found a third thing and a fourth thing.

What you got there was kind of an indictment of a lot of procurements that's been around the government for a long time, which was a race to the bottom and awards to low bidders, which I very much oppose. I don't think that awarding low bidders and I don't think a race to the bottom is in the government's best interest or in the taxpayers' best interest.

I do believe that we can and should structure contracts so that we reward the types of behavior and the results that we want, and I think that can be done very effectively. I think that a presumption--sir, I think the presumption you made

is that we're always talking about rewards for bringing the project in at a lower price. That's not at all what I'm talking. I'm talking about rewards for bringing projects in at higher quality, better performance, shorter performance periods, etc., and I think we need to reward and reinforce those kinds of behaviors if we want to see those kinds of behaviors and performance in our environment.

The last point, and then I'll quit, I worked in the government for 32 years. I did major weapons systems acquisitions, major aerospace acquisition, and ultimately design and construction. In 32 years, I saw my programs and my contracts a number of times on the front page of the Washington Post, sometimes for good, sometimes for ill, and in every single instance that my program and my contract ended up on the front page of the Washington Post, for good or for ill, it was there because a contractor either did a great job or a contractor did a poor job.

I learned very early in my career that

my success in my career was totally driven by the success of the contractors who did the work that I contracted out. If I wanted to be successful, I had one overarching, overriding, absolutely critical goal, to make the contractor successful. That's what my goal is, make them successful financially, if possible, and most importantly, make sure that they're successful in terms of quality, schedule, timeliness of our program and our project, and that's the biggest problem that we face.

Now trying to relate all of that to your situation, if the approach that you're using establishes a firm requirement, firm design, and I think that clearly given that that's the way you're choosing to do design-build, once that design is firm, you should have a process that certainly allows for communication, allows for issues, for problems, and alternatives, and different ways of doing business to be raised where they might bring a benefit to you and your program and in the United States Government and taxpayers. Of course, we

want to have a system that does that, but at the same time, given the approach that you're using, it's not the contractor's call. They bring it forward. You should discuss it and in a collegial way. You should together make the best decision, making sure you look at all the data and all the information so you've made a wise and informed decision, and if, ultimately, it turns out that because of shortages in materials, alternative materials specific to the local site, or whatever the reason, if that's the best way to go, you make your decision.

GENERAL WILLIAMS: Okay. Are there other takes on this?

Okay. We've beat this one pretty hard, and, Bill, let me just come back to your question and your concern, and the first flag of this was that it had ambiguity in it, and I guess as you read it and look at it, I can see where some of that could be maybe an issue.

I know what you're speaking about. I know the foundation for this concern, and I think

Joel hit the nail on the head and other discussions that we're having, but I think what the panel has collectively said here for our consideration, the whole notion of latitude has to be looked at very sharply and keenly to make certain that we understand where we are in the process. The question of substitution is a function of what they are and where they plan to get us. Substitution for the purpose of something that's not going to aid and abet the project obviously doesn't make any sense.

Something new I guess I have not heard in all of my touchings on design-build is the specificity about type. I think design-build, sort of my cut on it is design-build in its broad essence. How we implement might be unique to a particular organization, but design-build is just what it says.

Now, Lee got backed into this sort of version of design-build, and I wanted to tell you today that this is the exact suit we will stay in, but we're in this because of catching our

program--we couldn't stop our program and start and whatever. We caught this on the fly, and we had to sort of transition and hybrid ourselves into it. So we know that our take on that is a little bit different; however, we are looking at trying to walk to what we think was the spirit and intent of design-build from the outset.

I couldn't agree more about clarity, and we have talked about this, the staff and others, and requirement definition. Several members talked about that, because in a design-build, in particular, you are saying deliver me this. Well, I'm using this in a very loose way, but I can only deliver you what you tell me to deliver. If you confuse it up front, then I'll confuse it when I bring it back to you. It's almost like the Coke and etc.; We just want a Coke in a can with a top on it that pops, you know, is pretty much what we're looking for.

The other part of this that was--I'm pleased that it came out, because I think this is OBOs knottiest issue. When a design-build, and we

all know I was one of the earlier students of this, got on the plate of industry, the folk who went to school were not procurers. They were all the construction folk and then later designers and the like. At least that was my experience. I stayed pretty close to this for about 10 years, and the procuring role did not kind of holster me on board. There is a pronounced issue here with our program where we do have to continue to do some educating, because the standard boilerplate design-bid-build kind of proscriptive language does not necessarily accommodate the design-build.

So there is some work to be done on the procurement side.

Clarity in RFPs is another issue that's been put on the table as well, and I concur 100 percent. We have to get it right in the RFP, because once the RFP is advanced and in the hands of the folks who have to procure this, then it's really sort of over, because at that point, the latitude becomes a function of what everybody sort of agrees on without any particular discussion.

So I think this effort, this whole discussion, has been very helpful. There's a lot here that we can continue to work on. I can tell you two things: that we are looking at the clarity issue in the procurement documentation, and of course the front end of that is the RFP, and then, of course, the other one has to do with the procuring side of this, and we're looking at both of these to see if we can get everybody educated. Of course, the other part is to ensure that we have the right players around the table to help integrate this process.

We have a lot of tenants. We have a lot of equity players in our business. It's not just us. I came out of the DOD world, and that's a little cleaner. When you build a dam, you've just got the folks who understand dams and are interested in that to be concerned about, but we have many tenants who operate and have deep requirements in our facilities where we have been very sensitive to that. So our ability to change, to tweak, to do something is a big vetting process.

So it takes--it's absolutely critical that we get it right on the front end so that we do not have to get into tweaks, because when we open up tweaks, it's the elaborate process and time consuming efforts to get everybody back on the same page.

Okay. A long speech to say I agree with you. Okay. Lots of good information.

Okay. Let's see if we can't try to deal with this next issues on No. 4. Whoever in design and engineering who is going to introduce this, will you be kind enough to expound, please?

AUDIENCE MEMBER: General, I think this issue kind of shifts from risk to opportunity. We've talked a lot this morning about risk. I think this question is really geared more specifically to the question of opportunity. I think about four years ago, we got the first tasker that came down from your office that challenged design and engineering to take a look at the issue of building information modelling, BIM, and that particular tasker challenged us to go out and take a look at what the industry was doing and where we

were positioned and BIM could apply to our business practice, and what we found at the time was it really was an emerging technology, emerging capability, and it wasn't being utilized in depth in the industry.

Over the last four years, we've seen an evolution in BIM and the evolution of technologies, and more and more the firms that are doing business with us are stepping forward, using the technology, and beginning to apply it. I think the question on the table is are we at the tipping point and are we at the point where this technology can provide some real benefit to OBO.

Thank you.

GENERAL WILLIAMS: Okay. Yes, Mary.

MS. ANDERSON: I can share with you some feedback that I've heard from the contracting community about this and that they feel that BIM is a natural choice for the test fitting and determining building layouts at the bid stage and that it's actually although expensive, going to be a benefit and well worth the cost. I said can you

give me an example of how that would be a benefit in terms of worth the cost, and one of the responses was that one of the most time consuming parts of the pre-bid planning and post-bid design is matching the blocking and stacking of the structure with the space requirements program. The NOBs are built in eight one and two bays, and missing a bay can cost up to 200,000; conversely, gaining a bay can make 200,000. A few-bay swing can make or break a project, and BIM would provide a reliable method of evaluating these issues in a very short time.

GENERAL WILLIAMS: Okay. Thank you, Mary.

Yes, Todd.

MR. RITTENHOUSE: Yeah. When we get this list before the meeting, you look and say, Okay, these are my areas, these aren't, and the last topic was an area where I thought I would have a lot of say, but others said it so eloquently before me.

This is another area that we have spent

a lot of time and looked at, and there are many opportunities and an equal number of pitfalls. I am a bit nervous now about it because it's like any other tool or software program. It's only as good as the people using it, and if it's poorly used, it can be disastrous. If you look at how people lay out buildings, whether it's the architectural, the structural, whatever the element it is, one common mistake that we see is it looks like it goes here and it's not properly dimensioned at any point, and so you can get--you know, it's going to be three feet, two and nine-sixteenth inches off of "X", you know, which is not a constructable thing and it's going to lead to many problems.

So it's a very good tool for making sure the project goes together. You get some like the Frank Geary designs which have to be done in this kind of system because of the wildness to it, and SOM had a great project. They have to be a 3D model to understand how well the pieces go together. I'm talking about the SOM structural group, whereas if it's not properly used and proper

vetted and some quality assurances to make sure that it comes together and is constructable, it can be disastrous for the contractors and for the owner at the end of the day. I have seen very good examples, and I have seen very bad examples, and I think we're getting closer to it and there's an initiative within the GSA to utilize it more often, but I think we're getting to that point. I don't think we're there yet, and I know that others are going to have a lot of say about this topic.

My caution is to make sure that--don't just go head on into it; make sure there is some feedback and a quality assurance program in place to make sure that you are getting what you are expecting to get and it is constructable, because if it's not constructable, it's disastrous.

GENERAL WILLIAMS: Okay. More on modelling?

Yes Mary Ann.

MS. LEWIS: In the private sector, there are a dozen value improving practices that are employed by the petroleum petrochemical

pharmaceutical industry, and 3D CADD is one of them. Others include things like technology selection, constructability reviews, value engineering, etc., and we have seen it used on several projects that we've been involved in, but there are two benefits. I mean, it can be considered a very expensive marketing tool, I suppose, but on the other side, we found that it may be a useful tool for users who can't sit and look at a set of plans, who really need a graphic image to tell them what they're getting.

So it's maybe useful to some of the users in the building. The other is from the security perspective, that may it be a very good way to do a security analysis and lines of sight, etc., to analyze the structure. So it can be used in a few ways that are very good.

GENERAL WILLIAMS: Yes, Gary.

MR. HANEY: Thank you.

Our firm is, of course, looking at this and working with a large firm roundtable with AIA and others, and it's quite a remarkable technology,

one that in a few years may make a similar sort of change in our profession as the computer, the desktop computer, did 20 years ago.

It would also seem to be a valuable resource if you are looking at creating more than one design, and like many other computer processes, it seems like that if you're interested, as we are in this program, in repeating certain qualities that you found to be functional and correct, this would be an ideal aid in that.

Having said that, I think the real impact will not be on the design side, it will be on the planning where you can take this smart model--it's not just about visualization. It contains all the information that's pertinent to that particular room or structure, and then at the other end, for operating and training and creating a real performance platform for your operations in terms of--you know, it would tell you when to order filters for each of your--again, I'm not particularly into stockpiling as an idea, but if you had a smart system that told you when the light

bulbs and the filters and the paint on the walls needed to be replaced, it would be an invaluable tool as a long-term. The slide you showed was remarkable of 40-year-old buildings. I mean, nobody goes out that far. Something like this would be a living record of each of those buildings as you produce them.

There would be some training that would have to happen on both ends, but we're finding that the training is really pretty effortless in terms of the difference between basic Auto CADD and a smart building system.

GENERAL WILLIAMS: Okay. Thank you.

Yes, Lee.

MR. EVEY: If I could build on what Gary just said, I had the opportunity to recently visit a AP firm as part of a tour, and I asked them they were applying 3D and 4D, and they said, Well, we have some concerns; we're aware of it and watching it, and we may do it some day, but we don't do it right, and the tour kind of passed on. One of the people young people working at the computer looked

up at me and said if you really want to know, sir, we're actually doing the design in 3D, but since they want 2D, we convert it to 2D and that's what we give to them, but we learned how to do 3D, and it's actually easier and faster for us to do it that way because that's what we know.

There's some really--we did some initial modelling in 3D and 4D at the Pentagon, and there's some good things and some bad things about it. First, the 4D is really great in that when you're building the first floor on your plan and you're showing the fourth floor also being constructed, but nothing in between, some of the issues and difficulties in the scheduling immediately pop out. It helps you tremendously in making sure that your schedule makes sense. It enables you especially in the design-build environment to make early decisions about materials and pieces of equipment and in optimizing the building. It also carries with it a danger, and that is with 3D, if you are then going to award to a low bidder, if you're using a design-build job and you award to the low

bidder, if they happen to chose a piece of equipment different than what you just optimized the building to, you can have a real problem with equipment that won't fit, won't work, etc.

It has a tremendous capacity, and that, I think, is scarcely being tapped, especially when you site to other pieces of technology onto it, like RFIDs, things of that sort. The huge data cache that you get collect with 3D, the fact that you no longer do one set of drawings for the construction and you convert that to a different set of drawing for an as-built, it's all one set of drawings now that evolves and grows, and so you don't have to go through this constant changing. It is one set of data, repair records, maintenance record, re-order capability of being able to track items in your supply chains, whether or not you're building the size of the Pentagon, you had a spare piece already on hand or must you re-order, and you can find those things out almost instantaneously, a hugely powerful, powerful piece of technology, and I think something that you definitely need to use

as quickly as possible.

GENERAL WILLIAMS: Okay. Are there any other comments?

Yes, Mary.

MS. ANDERSON: Just one last comment, and another aspect of this relates to your Question No. 12 about hiring and retaining talented staff and that we need to be on the cutting edge of technology. It's the young engineer that's going to use the 3D because that's what he wants to do and then translate it into 2D, but it's the interest and capturing the interest of those quality people that are looking for that technology.

GENERAL WILLIAMS: Okay. Are there other comments?

Well, this came out like we anticipated. This is one expectation that was clearly met. We know that there is a package of pros and cons, and that was the context that we asked this question. We want to keep it on the burner, not saying back or front, as something that we want to chew on from

time to time with all the precautions that you have provided us and look for a potential use going forward. It's not something that we're obviously going to launch into, but we want to make sure certain that we've fully explored it because our program is not one that's designed to sunset tomorrow. We're talking about 14 years or so, 12 or 14 years, of trying to just work our backlog, and then, of course, we would hit steady state and start, you know, in a more normal fashion at that point.

I think at this point, we are near our lunchtime. I want to thank the panel for their dialogue this morning. It was very hefty and spirited, and we will come back after lunch.

Gina is going to give us some instructions about lunch. I will tell you that we will try to get out now and get to our places for lunch and be back in our seats at 1:30 so that we can continue, and Gina will tell us about that.

Before that happens, I failed to introduce one other person this morning that's

absolutely key to making this industry panel go. It's the lady who is sitting back who is doing our recording. She does this quite well for us. We're required as a part of the charter and our opening to make certain that we have minutes, and she makes certain that she gets it word for word.

Okay. Thank you so much for helping us out.

Gina.

MS. PINZINO: Gina, if the panel members would following the managing directors and Director Williams to the executive dining room. Our own Phyllis Patton is going to show them the way, and for our distinguished guests, you will be escorted to the cafeteria by our OBO who is here standing by, ready to take you.

We will reconvene at 1:30, and I look forward to seeing everybody again this afternoon.

Thank you.

[Whereupon, at 12:02 p.m., a lunch recess was taken, to reconvene at 1:30 p.m. this same day.]

III. A F T E R N O O N S E S S I O N

[1:38 p.m.]

GENERAL WILLIAMS: Good afternoon. I trust that you had some lunch. We're back almost at 1:30, but it was not your fault. It was the panel's fault.

What we tried to do this morning, and of course we're going to continue this afternoon, is to be very honest with ourselves. That's been one of the hallmarks of our program. We've tried to have a lot of transparency and a lot of participation, and the whole purpose of this panel, quite frankly, is to get other ideas, have people who are in our industry, we want them to understand what we are trying to do and the approach we are taking and, quite frankly, help through their ideas and other ways. I can say this panel for the last three years has been nothing less than profound from the standpoint of support. Members ask me when they travel--many travel around the world--how they can help, and this is way I think government is supposed to work, because it's not what we in

OBO in a narrow way think, but more importantly what is good for our government.

So that's the whole purpose of this, and that's the spirit and the attitude under which we operate. So we're going to continue now with more work, and I think we'll move to our planning area and we'll pick up with dealing with this whole question of bridging documents, 35 percent or more and etc., etc. It tacks on well to what we talked about this morning, and I guess the whole idea is we need your feelings about that because there's a little mixed emotion from our standpoint.

We have a planning office now as a part of OBO. It is a very few new organization, that is it's four years old. We have populated that with some multidisciplinary people. It's headed by Jay Hicks. Jay previously ran our real estate apparatus, but his background is a planner, and I really want him to expound on No. 11 so that we can begin to digest some of the issues around it.

Jay.

MR. HICKS: Thank you, sir. I think it

was a wise choice to turn to planning, because I think this question complements very well the very robust discussion we had this morning on SED and delivery methods and things of that sort.

I think you really need to look at Questions 10 and 11 together, and what we're speaking to and what we're wanting to hear is our panel members' experience with smaller projects, not the large embassy construction projects, but smaller projects. In our world, that means lease-fit out projects where we're leasing commercial space on the market and doing some still very, very robust improvement to that commercial space and our major rehab projects. Obviously, you saw in the earlier presentation the age of our buildings. Major rehab to projects and buildings that will be in our inventory for a long time to come is another very important part of what we do.

So as opposed to embassy new construction, we're interested in delivery methods and the panel's experience with projects like that themselves in an international forum. That's the

first part. The second part speaks to how we deliver those projects and what's the most appropriate role for OBO in terms of 35 percent drawings in an environment like that for projects like that. Is that appropriate? Should we do more design? Should we do less design? And that's really at the heart of what we're trying to get at in these questions.

GENERAL WILLIAMS: Okay. So you've heard Jay, and we'll take 10 and 11 together or however you wish, but the issue is as he has presented it, and may I hear your thoughts?

Yes, Todd.

MR. RITTENHOUSE: We have worked on many projects, some of the very large embassies shown to some very small and some of the security upgrade programs for the State Department and other groups within the government, and I think that for some of these smaller buildings, the smaller projects, the design-build process is much, much better, so much better, is a very good forum for doing these kind of projects and to try tie the two things together,

and I actually thought that if you take that design just a little further, then the standard design of 35 percent. So I think for small buildings where you're doing a security upgrade and whether it's window replacement or mechanical equipment replacement, whatever it is, it works very well on the small as well as on the large. I don't want to take anything away from the large projects, but for the small, I think it does because a lot of people complain that maybe it's too small of a project, and I don't think there is project that's too small for design-build because it can be procured properly.

You may have to, depending on what's going on and the issues surrounding it, take it a little further, not 35 percent, but maybe 45 percent complete. Just because it's just a small space, there is less room for a margin of error, and we have been able to get better projects because we don't have to carry the design to the nth degree, but we have to get enough on paper so that it's properly bid, and it worked very, very

well.

So I think even for small projects, it's the right forum to work in.

GENERAL WILLIAMS: Okay. Thank you, Todd.

Is there any other information from any panel member concerning this sort of overisolated issue? But I think it touches other areas as well, not just OBO, but it's a question of how and to what level of design should we be at for our smaller design-build projects.

Yes.

MR. ZINGESER: Again, I say again because this theme has been stated in the past at other meetings, but the answer to this question is Ida's pat answer, which is it depends, and you know that and everybody knows that. The reality is in the kind of work that we're familiar with, which is almost involving existing buildings and doing work, the design-build approach in some cases really can be pure performance. If, for example, the major thrust is some telecom problem or a sprinkler

springer fire like safety upgrade or some component aspect of the building, then procuring that in, quote, a design build way is real easy and very much performance based. You don't have to say a lot to the guy you want to do it. You just tell him what you want in the end, and you actually don't want to tell you him a lot proscriptively because that person or organization is the expert in the deal.

On the other hand, again, if the project is something where you know exactly what you want, I mean, then just say it. So that can be more than 35 percent drawings. That could be, you know, close to design-bid-build if need be, but Craig Unger in past meetings has talked about how he's travelled around the country in his role with the Design-Build Institute, and now of course Lee could probably underscore that, but there are places where they say the design-build approach is the wrong approach because this work is too small. In other places, it's the wrong approach because it's too big or it's the right approach because it's

small or it's the right approach because it's big.

I think there is no simple answer. I think design-build and the level of definition is definitely a projected-based decision on these kinds of projects. That would be my thought anyway.

GENERAL WILLIAMS: Okay. Thank you.

Yes, Lee.

MR. EVEY: I think this is another good example that everything in life comes with advantages and disadvantages, and the smart thing to do is to understand what your requirement is, what your circumstance is, and then try to pick the package that has the greatest number of advantages and the least number of disadvantages for your circumstance.

The advantage of design-build from the perspective of DBIA is the ability to tap into the ingenuity and the creativity of the design and construction workforce that's out there to help you solve your problems as an owner, and the more bridging content you have in your solicitation, the

less opportunity you have to exploit that ingenuity and that creativity.

On the other hand, I think most reasonable people recognize that sometimes and particularly in your circumstance in OBO, you just want certain things and you want things done a certain way. If that's what you want and that's what you think you need, you know, we should be up front about it and we should specify and we should state what it is we want and what we need because that's what we want and that's what we need, and whatever percentage that turns out to be, whether it's 10 or 15 or 20 or 35 or 40, whatever that percentage is that captures the things that you really and truly believe that you must control as the owner, then that's what the percentage is.

In general, our philosophy is and what we teach is that you should keep that percentage as small as possible in plain vanilla projects and at least say if you're going to use bridging, try to keep it under 10 percent. Very often, you're not dealing with plain vanilla projects. The

requirement is what is your circumstance and what would best meet your requirements.

GENERAL WILLIAMS: Okay. Are there other comments concerning this matter?

Okay. I think what we've heard is sort of a smorgasbord board, if you will, but it all boils down to something we can deal with, and that is look at the uniqueness of our project and that portion of our work and then as a corporate body, we have to decide what is reasonable from the standpoint of design development.

We have heard a spectrum from as low as 10, as Lee has pointed out, to possibly 45 or 50 from Todd's perspective, and then which makes, I guess, our 35 not too bad. So we will take counsel and continue to noodle this one until we have comfortable. Joel is right. It has been on the table before. We keep coming back because we haven't reached a resolution in our own minds about how to deal with it, but you have been helpful to confirm that is on a sliding scale, and we'll just continue to do the best we can with it.

Let's take No. 12 while we're near that, because the human capital dimension of any organization is extremely critical. In fact, you could argue that it is the most delicate asset in an organization. It takes about three to make a construction, three elements if you will. This is from the old Construction 101. It takes material and equipment and, of course, it takes labor to advance construction project, and the labor component is today very difficult and in particular when we start talking about experience and specific skill sets. A lot of this has been brought on because of the difficulty we have in the world, at least our country in general, and other things that have been uncontrollable and the propensity for just not having as many people, for whatever reason, to migrate into the world that we operate from.

So we saw a dwindling of this during the emergence of the dot com days, and of course by the time we start recovering from that, then we had these other worldwide requirements that also

pinched us a bit as far as resources. There may be other points that Jurg Hochuli would like to make relative to that before we invite the panel to give some of their views.

MR. HOCHULI: Thank you, General. I think you hit it on the head. We have all the tradition of the monster dot com going to the seminars the military puts on for retiring military members. We go to the career days at colleges, etc., but what we're looking at is what other avenues do we have to go out there.

We clearly have a dynamic program, or at least we think we do. It should attract--we were hoping it should attract more people, but we're really not seeing it. Last year, we netted about 65 new people, but still there is a large number of vacancies we're trying to fill.

So I would be interesting in hearing any ideas you have. I know we're kind of competing with you in some cases, but we're open to ideas.

GENERAL WILLIAMS: Well, it's only fair. They pick up an idea or two here. So we can borrow

some from them. See how balanced I am?

Okay. What do we have from the panel in the way talking about this problem? It's a big problem. I recall I was in Nairobi, Kenya, and we had just completed opening a new embassy that I showed you this morning, and someone from a magazine wanted to interview me, and I thought he was going to talk about the bombings and how much improvement we had made for security, and his whole question was how do we maintain our workforce.

So this business is really international. So may I have your views on it?

Yes, Todd.

MR. RITTENHOUSE: When you figure it out, I would like to know too, because the work force has changed a lot in all industries. You no longer have people dedicated to the company. They're dedicated to themselves, and we've had a lot of people who have transferred for reasons I never imagined transferring. They're not committed to sticking with the firm or not committed in your case, perhaps some of you, to traveling overseas

and jumping around and this is a great job and I want to work in these or three or five countries.

It has been a problem for everybody. Maybe it's just a spinoff of the dot come and kind of the free pace free atmosphere that existed during that, but we've had to have greater benefits for people to entice them to stay, whether that's, you know, kind of flex time which the government has a lot of or with money, which you don't have that opportunity that we have to throw money at problems, but sooner or later, that backfires too.

So it's not just you. It's across the board. People want to--I had a fellow who just quit because this gig was a lot of fun; I did it for three years; I want to try something totally different; I'm 28 years old, and if I fail, I can try another career. Now we've just spent five years training that person and grooming him into a certain position, and he's like thanks so much; it's been real, dude; catch you later. So it's a real problem.

Now, also, I heard a great talk about a

year and a half ago of how people respond, and the youngest group of workers is most like the pre-baby boom generation and becoming more dedicated to working, but the Generation X and Next was very difficult to deal with because it was I'm here for a little while, dude, and when I want to change, I'll move someplace else.

If I had it, I'd tell you, and when you figure it out, please tell me what the answer is to keeping good people.

GENERAL WILLIAMS: Thank you, Todd, for being so forthright.

Yes.

MR. CHACE: I'll follow up a little bit. We have this problem in our industry, of course, and I think it's across the board.

GENERAL WILLIAMS: Yes.

MR. CHACE: We have the problem keeping highly-skilled people in those positions. For technician reasons and project managers and things of that nature to deal with, network issues, they're very specialized. There's a lot of

cross-industry activity right now between IT and security. So we really are fighting for resources.

One of the things that our industry is trying to do, though, is we've really identified one thing, and that is, as Todd very astutely points out, that it will backfire if you keep throwing money at the problem, because there's an expectation that I can just keep getting more for less work. What we've done instead is try to paint a picture of a path for what a career in this field would look like and what those different steps would look like, and we've really tried to identify from the outset, Well, if you come in at this level and you put in "X" amount of time, then you can potentially move to these other levels which might splinter into a "Y" or a fork or some other level all together.

So what we've done from the outset for people who are just getting into the industry is paint a pathway for career growth, because one of the things we identified was that people come into a certain area and they get quickly stymied by not

seeing what the next step is, what am I working towards, what is my next level that I can achieve, what is my next opportunity to succeed in this area, why am I investing all this time now, is there one skill set I should focus on and then go to a different career path altogether.

So we worked very hard to identify what type of skill sets are required in our industry to be successful and how do we build upon those so these people can see a way to move or build upon those experiences to get to the next level. So it's trying to be a little tactical and proactive to give people the pathway that they can see, because we really do feel when we talk to them if they can see the long-term picture, they have a better sense of the horizon and the different opportunities that exist on the horizon. If they're coming in for a short-term horizon or they don't really see the big picture, they don't see where they fit in it, and therefore they don't feel committed to it.

So the time and investment they put into

it is very nebulous, and you're never quite sure what the level or factor of the commitment is for that individual, but if you can paint a path and you can also identify, Hey, if you do "X", you'll get rewarded "X" dollars and "X" benefits and you'll have "X" experiences, you're going to "X" places, it begins to their whole frame of reference to what the job is really meaning.

That's something we're working on now as an industry.

GENERAL WILLIAMS: Okay. Thanks, Richard.

Yes, Gary.

MR. HANEY: This is a problem that we have dealt with for many years now. Our firm is a little unique in that it goes beyond the founding members. So we're always looking at how do you maintain an attractive stance to talented people. There are a couple of things that happened 15, 16, years ago. There was a huge downturn in our business, and we lost an entire layer of people who would not have 15 or 16 years of experience. They

went elsewhere. Our New York office went from 435 people to 95 people in two months in 1992.

So that's a catastrophic problem, and so the entire industry is missing that level of people that would be out there on site, coupled with the fact that we're finding that people are very reluctant to move, to travel, particularly talented people who see themselves as being attractive to the industry. They just won't do it; that's an inconvenience for me.

So one of the things that we've tried to do is to actually change our internal organization so that it is less hierarchical. Where in the past we had a very almost military ladder from, you know, A, B, C, D, E, associate, associate partner, what we're trying to do now is actually create a sort of horizontal non-hierarchical program for advancement, once that's based more on merit, one that's based more on how our projects are staffed, and one that recognizes now that the computer has sort of leveled the playing field in many ways and the skill that you have in dealing with the

technology sometimes means more than experience. And the other things we've done is we've become very active, and, you know, for many years, we would publish our work in these big sort of hard brown coffee table books. Now what we do is we publish the work that's on the drafting board and we have--every year, there's an annual publication of the most current projects, and we're finding that students will come to us now with that book in hand, and we made sure we told the publisher it couldn't be more than \$20 and it had to be paper back, but the idea is to get a sense that they want to be involved in something that's edgy or interesting or important.

We're not doing anything different. We're just portraying what we're doing in a different way. That attracts more talented people through a sort of an outreach through publications.

GENERAL WILLIAMS: I think what Gary touched on, two points: Number one is sort of how you get from where you are now and you know that's the ambition of everyone and seeing layers and

whatever. I remember a lieutenant came to me once when I was at a certain grade and we were speaking of the military, and he said how do I come become a general. I said, Son, it's going to be a long, long time based on the hierarchy that you have to go through. I had to tell him the truth because there are grades and time in service and all the rest. So I do know from personal experience that can be a little bit of a turnoff.

The other point that I thought has some significance in today's climate, and that is how you structure the end point, if you will, or getting to the senior management level, and so these are comments that we can take into consideration as we continue to deliberate.

I got a hand from the gentleman here.

AUDIENCE MEMBER: [Inaudible comment from audience member away from the microphones.]

Continuing comments as microphone provided: The interviewers for that particular government position, and then also you've got an additional challenge with respect to the security

requirements, background checks, and there perhaps may need to be some interim step.

So if you find the right candidate, you can bring them in at an interim capacity until those clearances are fulfilled and maybe have them as a conditional hire, but they are not just kind of dangling on the vine for the six or nine or twelve months until that security clearance has been granted.

GENERAL WILLIAMS: Thank you. I understand your point. It links very well to the government and specifically to us, but I think this problem--you heard my Nairobi story and you'll hear parts of industry, and clearly we have it in the military. This is global. I mean this is a national kind of a problem where in many cases, clearances and all of that do not enter into the picture.

So I think you have a very valid point, but I think our problem is more than just a governmental problem in terms of being able to recruit and acquire and get the appropriate skill

sets. Now, I could be wrong, but I would like to hear more from industry.

Yes.

MR. EVEY: Several things: If you want a real challenge, go to Penn State about the middle of February in the middle of a snowstorm and talk to a classroom of sophomores and try to convince them that what they really want to do is put on a hard hat and go out and work in that for about 10 or 12 hours. It's not considered a very attractive job in our society today, and, quite frankly, I think if it weren't for immigration, much of the design construction industry in the United States would be shut down.

My work force at the Pentagon renovation was over 60 percent Hispanic because those were the people who wanted those jobs, and it's very difficult to get Americans in. You talk about mid and senior level construction and design executives, and at the mid and senior level, those jobs start to become pretty attractive. The problem is you have to look at the beginning level,

and they find those jobs very unattractive, and that's a problem not just for you. It's a problem for the entire industry. It's problem for our nation.

People talk about the automotive industry as being the economic engine which drives the United States. It's the design and construction industry that's the economic engine that drives the United States. Design and construction is 16 times larger than the automotive industry. Okay?

I have been visited three times now--I just got the word yesterday they're coming back for a fourth--from the construction industry in Korea. They came in and met with me in my office. The leader of that delegation sat across the table and said, What can I do to prepare us to do design and construction around the world, and we want to do design-build and we want to learn all about it. I said, First, I think I would take all of our courses so you can learn how to do design-build. He said, I've taken every course you offer. I

said, Well, you could also get our publications. He said, I bought \$5,000 worth of your publications. The guy looked across the table at me and just pointed and said, We're coming after you; we're coming after you.

This has implications not just within our society. This has implications for the United States around the world, and I sat there feeling like Demming in Japan in '53 or something. You know? I meet tomorrow with the Ministry of Construction for China because they want to learn how to do design-build because they intend to take this all around the world. This is a societal problem.

You have some advantages. FERS is one big advantage that you have now that you didn't have in the past. You have the flexibility in your retirement system for the federal worker that you didn't have in the past. Old guys like me, once I got locked into the Civil Service retirement system, I had to work for 30 years whether I wanted to or not if I wanted to retire. FERS now allows

people to exit and to enter the federal system and to carry with them, to transport their retirement system, and that's all new, and a lot of personnel organizations in the government haven't come to grips with that. It does good things and bad things for you. One good thing it does is it gives you access to people that otherwise you wouldn't get access to, because they have transportability of their retirement system, but at the same time, it allows them to leave. So it kind of gets you coming and going.

At least that's one thing you can work on. They do have transportability now, broad experience, and background, and I kind of learned this the hard way. When I turned over my requirements for staffing and filling positions to the people in personnel, they kind of did it the plain vanilla way, you know, and I had to go in and I had to insist and I had the force that system to give a consideration to broad experience and broad background, especially experience and background from commercial industry. What I discovered was

that the way the federal system operated, because it had just always been done that way, it gave tremendous consideration to previous experience within the federal system. It wanted to know what your previous GS rating was. It wanted to know what kind of organization you were in within the government before, etc., and it gave little or usually no consideration whatsoever to experience outside the government until you got to the SES level.

At the SES level, Senior Executive Service, at that level, then they started to consider your other experience and gave credence to them, but below that level, you had to fight to force the system to recognize that, especially given consideration to commercial experience.

The last thing is some of the things that I found effective, and this kind of almost sounds silly, you know, but it's not, there's still a huge reservoir of good old-fashioned virtues out there like patriotism, and when you talk to some young person and you say you can stand for

something, you can represent something, you are a force for good in the world, you represent the United States of America, this is something you can do for your country, you know, you'd be surprised. A lot of these kids look really tough on the outside, and on the inside, they're still marshmallows. Okay? And they rise to that kind of opportunity.

So talk to them in terms of patriotism and their opportunity to serve their country, that it's an interesting challenge and they have an opportunity to work on a team and accomplish things they'll never be able to achieve anywhere else in any other environment.

Those are the best pieces of advice. I can give. Sorry.

GENERAL WILLIAMS: Thanks, Lee.

Is there other input as we continue to wrestle with this?

Yes. Please.

MS. ANDERSON: I believe a resource, a labor resource, that could be considered to be made

available to you and might fit your need would be the transition military, and an excellent of networking and identifying these individuals is with the Society of American Military Engineers. The Society of American Military Engineers has posts all over the world, posts in Baghdad, Cairo, Japan, and including here in the U.S., obviously, and we have national meetings. We have regional meetings, and at just about every regional meeting, and definitely at the national meetings, we have transitioning programs, and these are supported by other government agencies also, and this is solely to assist military with transitioning either into other government agencies or into the private sector.

GENERAL WILLIAMS: That's excellent, an excellent source.

Are there any other comments from our panel members?

Well, I think that we heard a lot of information relative to the issue of experience and resourcing. There's a couple of questions I guess

we are going away with. First of all, the ability or inability to recruit, is it dollar driven? Is it job enlargement, slash, location driven? Is it organizational buy-in? That taps into what used to be the reason for joining organizations, and then I think something Lee brought up, the rules of acquisition, because how the recruiting organization prescribes the entry into a job. For example, a young engineer coming out of Penn State, which whether they have a master's, Ph.D., or B.S., if you say overseas experience is desired, I mean, you just lost a Ph.D. in civil engineering. I mean, he can't even hold a conversation with you.

So I think there is some rigidity in the government rules about this, but I would like to maybe advance this a little bit and try your comments on dollar, job enlargement, location, and this organizational buy-in. I can't perceive a person coming to join the Overseas Building Operations who had a problem with the organization as a structure. The preponderance of our work is overseas. We deal with things overseas, and, of

course, the management and the focus and all that will have to be viewed as well.

So I think there is something to say about organizational buy-in. Why all the people left in the early nineties and went to what we would perceive to be the lighter areas, such as the dot coms and the like, we don't know, but Gary gave you a glaring example of what happened to his office. These people were not unemployed. They went somewhere, and they went into the workforce through another venue.

So what are your views on this whole business of what are the driving propensities that causes someone to make these judgments? Is it money? Can you throw money to a candidate and get them to come your way, or is it really embedded in something called patriotism?

MR. HANEY: I think that it's not really money. I think the market tells you what you have to pay, and what I've discovered is if it is about money, that person is not going to be there very long.

GENERAL WILLIAMS: That's right.

MR. HANEY: So, yes, you have to pay the prevailing rate for whatever and offer some incentives, but I think it's more about--certainly with the younger candidates, it's more about a sense of involvement or feeling like you're part--you're learning or you're a little bit in over your head, and I think it's interesting about what you were saying about how you describe the candidate you're looking so for. So if those seniors--and I say senior not in age, but in experience--are not available, then you have no choice but to challenge the less experienced. Perhaps you're taking a bit of risk, but I've also found that when people succeed when they're in slightly over their head, those are the leaders. Those are the people who are going to be the next tier of leaders.

So there's a little risk on your part. I don't know how you do that in a government job description. It's a little easier in the private industry, but you challenge those people. The ones

that succeed will be your future leaders.

GENERAL WILLIAMS: Excellent.

Okay. Are there other comments?

Yes.

MR. ZINGESER: Just to chime in a little bit, first of all, I underscore that this is an industry-wide problem whether it's on the architect engineer or the construction side, and the construction side, you know, Lee has talked about the field labor situation. There's also the project management superintendent and other specialty in the construction side.

The key thing that I think you have to offer is--and you need to get it out there--is your program and that it's real and that if you come to work in this organization, you're going to have real authority, real responsibility; you're not going to be some bureaucrat stuck in a corner office on someplace in Washington or out in the suburbs; you're going to get a chance to go out and make a difference, build a building if that's what you want to do.

That's, you know, what we do. The only thing I can do is relate to my own experiences. We have a company that does what we do. We work in the greater Washington area on large government modernization of historic iconic buildings. So when we go out and talk to people about what we do, we can say this is, you know--and these are the buildings we work in if that interests you, and we march in front of them people that they can relate to, young people if we're talking to young people, middle level people if that's who we're talking to, and try and make it feel just very comfortable.

I think as a government agency with this \$1.5 billion a year real program, you are absolutely unique. Does everybody want to do that? Maybe not, but if somebody does have an interest in what you're doing, you have a hell of story to tell, and I think that's the way you compete with people like me.

GENERAL WILLIAMS: I think Joel pointed out something else, which I think it's very key as well, and that is marketing. If you have something

to market, you should really build on that, and he's absolutely right. Part of my effort when I'm in California will be to try to attract some people, and hopefully they will see what we are trying do here and the robustness of it and that it is fun today to work in the State Department and this part of it, but we have to really go out of our way to market what we are doing.

Even a forum like this, although we're talking to people who are under 30 in here, but it would--you didn't even laugh at that.

[Laughter.]

GENERAL WILLIAMS: Still, you can get the word out. You know that this is a solid robust program and that is highly supported by the Congress, and this is not a toot-toot for us. We're proud of it, but the point is we're trying to make the point to you who are even looking to do work, but to help us carry the word out as little ambassadors that there is a program here that is really going somewhere.

So I think it's a lot to have the whole

marketing effort and how we go out after it and whether or not our H.R. people are doing this this way. Let me just give you an example. We were hiring a very experienced site security manager for bad Baghdad. The diplomatic security, since the Secretary and myself were sort of co-hiring this person, because that's the way we wanted it set up, this person when he interviewed with me via telephone first, guess where he was? He was at Fort Drum, New York. He was procuring potential new entrants for the diplomatic security, and he realized I had some connectivity to the military and also Fort Drum, and he said, Guess where I am; I'm up here doing what you just said, Mary Ann, trying to find people.

So you go where you need to go. You go where you think it's fertile, and I think everything that's been mentioned here is very significant, and we have to do a better job with this. We have to tell our story better, and I don't mind admitting that to you, because the program is so busy and so robust and so crowded,

many times we pass over something that we could illuminate and keep going, because if you're interested in the green buildings, we have some emergence around that area. So whatever your appetite happens to be in the spectrum of building, we have a little bit of it.

And the most important thing, if you want to travel around the world, we can put you in some really, really exotic places where you can be the first one who writes an American story there. You know, you can go out there and be all that you want to be, and this will be wonderful, and you can occasionally drop through Paris and Rome in route to your place, but we have some very unique opportunities for you.

So please help us carry the word out in recruiting, and we'll try to be a little bit more flexible as well with what we do.

MR. CHACE: General, I'll just remind you something that you threw up on the presentation this morning, is when we build it, they will come, and that might be your mantra right there. You

have it built, and it's just a matter--I'm just echoing off your own, you have the marketing tools already, and now you just need the vehicle.

GENERAL WILLIAMS: You know, it's good that you mention that, because Bob Castro, my Congressional liaison, the gentleman who was just up here who asked the question, he went with me when we opened Sofia in Bulgaria, and I wanted him to see how that goes so that he could help carry the word. He has personally sent about 15 or 20 congressional types into Sofia, because that's where his learning curve is. They asked what OBO is doing. He said you have to go to Sofia. It happens to be a pretty good deal.

So that's the way you really sort of sell the program. It's an example of getting people to look at what we're doing in another way, but it's also a place where you can say since we built, they have come, and there might be some utility in what Richard just talked about.

Okay. Are there other questions?

Comment?

Okay. Good. We'll move this one and go to No. 7. This is a unique one from--and before Joe says he had nothing to do with this, I'm going to just ask him to be neutral and try to help me through this one.

This is on interior furnishing. So, Joe, do you want to talk about this one?

MR. TOUSSAINT: Okay. Connie is in the audience, so, Connie, maybe let me do the intro, and if you have anything you'd like to add, I'd ask you to add to it.

The basis of this is we have changed our delivery of furniture and furnishings to our NECs. In the past, we would procure the furniture. We would ship it over. We would install the furniture. We have changed that now so that we still procure it at our rates, which we think are very good, and we deliver it to the contractor's warehouse. At that point, from that point on, the contractor is responsible for shipping it and installing it, and that's so that they then have control of their schedule, the timing of getting it

there so that we're not in their way.

What we're finding is that we have some challenges maybe in getting the attention paid to the receipt of that furniture by the contractors. I mean, we have one contractor manufacture it and wants to get rid of it and another one to receive it, and the another challenge we have is making certain that the contractors put in the right kind of expertise in installing that furniture and seeing that it's installed properly.

So that in and of itself is we think we've got to, you know--we think it's working well, but we'd like to get your ideas on what experience you may have with this approach in the commercial area in particular and what, if anything, we should look out for.

GENERAL WILLIAMS: Yes, Lee.

MR. EVEY: This is an area where I had parallel challenges, depending on the renovation, and almost exactly the circumstance you had here. I had elevators, escalators, blast resistant windows, furniture, etc., and when I arrived in

those areas where we were doing some of those things, the contracts were written in such a way that they were pretty traditional. You know, you got paid for what you produced. Okay?

And we added one characteristic to the contracts which dramatically changed their effectivity, and that is we added an award fee. We started rewarding behavior, and this is an environment where an award fee for us, at least, has worked remarkably well.

Viniette, we got people coming in. We were supposed to start slamming in furniture on one Monday, and this was to start filling those desks the next Monday. We get the call from the contractor who pulled the same stunt they pulled many times before. The furniture won't be there; there's going to be a two-month delay. We had everything lined up, ready to go. A simple phone call; you've lost half your award fee; you're now working on the second half. Suddenly, the furniture arrived Monday. You know?

Money talks. Maybe money shouldn't

talk. Maybe we should all be motivated by intrinsic internal forces and, you know, trying to be and do good and all, but you know what? Money talks. If you make their profit contingent upon performance, they'll perform.

GENERAL WILLIAMS: Connie, do you have anything else to add to that?

CONNIE FROM THE AUDIENCE: Just to mention the flexibility in scheduling.

[Inaudible comment away from microphones.]

MR. EVEY: You can't perform miracles. If suddenly a schedule moves six months forward and the furniture is not constructed, obviously you have a significant problem there. Okay?

I guess I'll say I first learned in 1974 as a contract specialist when I was trying to get the base commander's office built that the biggest problem that I was ever going to face in any project was government-furnished materials and government-furnished property, because guess what? The carpet didn't show up. Okay?

I searched for years to try to find the solution to that, and in our case, at least, I think I found it, and that is mark profit contingent upon performance, and if circumstances change, you make it very clear that their flexibility, their responsiveness, and the way that the help you solve problems will have a direct impact on how much profit they make, and it's amazing. I'll say this and I believe this implicitly. It's absolutely totally true. Americans can do anything if they set their mind to it. If you make sure that they get rewarded for solving problems, they'll solve them.

GENERAL WILLIAMS: Well said.

Gary.

MR. HANEY: I think one of the key issues as well as motivating people and schedule is management of it. One of the things that we do with large interior clients is insist that there be a furniture project manager that's either supplied by the G.C. or the manufacturer, and that person is part of your team from very early on so that they

are aware of the schedule changes, up or back, back, whatever it is, and there's no sort of finger-pointing; there's no way for the manufacture to say, Oh, you didn't tell me that; I didn't know.

Also, in the installation, this is a little more complicated for overseas projects, but in terms of warranting the material and the manufacturers either have to supply a person who monitors the installation or they have to train employees of the G.C. to properly install to maintain the warranties, all of which can be done--you have plenty of time to think about this in terms of training.

But I think the key is it's really a management idea, and on our large financial institutions, for instance, we built this role in and insist that this person be a part of the team.

MR. EVEY: Another thing--it's all coming back to me now like a nightmare. We also did other things. One is bundling your requirements. Okay? We had been purchasing like office by office, and, instead, we said we're going

to move 25,000 people in here. So guess how many workstations we're going to buy. 25,000. Okay? So let's go out and there let's put together some flexible contracts. We wrote IDIQs with an awardee feature. We made sure we had--for us, we actually had five manufacturers in constant competition. So if a requirement changed and one manufacturer couldn't support it, perhaps another one could. So we had flexibility in terms of manufacturers, and we made the size of subsequent orders dependent upon how good a job they've done in previous orders. So the award fee, the number that we gave them in the award fee, was automatically what we used to evaluate their performance when it came time to selecting the awardee for the next phase of furniture purchase.

So they understood not only do I have my instant profit riding on this, but the size of the next order is also riding on this, etc., etc. All of those things working together to concert were extraordinarily powerful.

GENERAL WILLIAMS: Okay. Are there

other from the panel on this furnishing question?

Yes. Thank you.

MR. ZINGESER: This is just a question: In this process that you're putting in place, are you drawing a line in the sand for yourself and your tenant in terms of not changing things?

GENERAL WILLIAMS: Right.

MR. ZINGESER: Okay. So once you're go on your side, then everything can cascade from there in terms of scheduled and processes?

MR. TOUSSAINT: I think it's fair to say yes, because it's based upon the space requirements.

MR. ZINGESER: Okay.

GENERAL WILLIAMS: Okay. Is there other input?

Well, thank you very much. This will give Connie and Elaine and Joe some fresh thinking about this, and in particular, we have to be somewhat careful about the incentive side of it, because this is a--we understand what Lee is talking about around that. So there are some ideas

there that we can look at.

Let's look now at the operations and maintenance issue. That's No. 2, and let me just said broadly that we jumped on the construction side of our house very quickly, and all that supports the construction piece of it, planning, design engineering, etc., commissioning, and, of course, we didn't initially put--and I will be the first to admit--as much emphasis as we should have on the fine tuning of our O and M.

I was sort of led to believe when I came on board that the O and M part was not--did not need as much repair, but as we began to look at this, we discovered that we really had to add some discipline and order and all of that to the O and M side. So for the last year, we have been highly focused around this idea, because we're bringing on new facilities. We have commissioned 16 of the new compounds, and of course operations and maintenance and how we go about posturing ourselves for that is paramount.

So I don't know whether Steve or

whomever will want to further elaborate on this. Paul Rowe is here as well. So whomever wants to talk about this, please free to expound.

MR. ROWE: I'll begin to introduce it and will have Steve and Alex to chime as they feel appropriate.

At this point, our Facilities Division performs staffing studies 12 to 18 months before a new building comes on line. When they do this, they look at the skill set that exists in the existing staff, the technology being incorporated in the NEC and capabilities of local contractors. They then provide recommendations to the posts and to the facilities manager as to what additional skills are needed, plus provide some sample position descriptions for the facility manager to use in recruiting.

They also recommend where the post might go and look in the community for possible candidates such as the use of maintenance contracts for contractor specialty systems if there are suitable contractors in town. They also are

advised to check hotels, hospitals, and universities for the kind of skill sets that they're looking for.

Therefore, several options are available to the posts to secure qualified maintenance personnel. Another option is to recruit third country nationals where the skill sets are not readily available in country, but then this has the implications of higher costs for that kind of recruitment. Another option is possible hiring of no longer needed construction personnel.

We're interested in your experience with regard to this particular problem, that is getting the correct skill sets to properly maintain and care for the embassy compounds that we're putting up.

GENERAL WILLIAMS: In broad strokes, how do we acquire the kind of skill sets we need today to operate and maintain a building that touches on a level of sophistication that we had not experienced before? How do we deal with the maintenance issue?

Yes.

MR. EVEY: I feel like I'm the default guy, you know, Lee will say something.

First, let me mention how important I think the issue is that you raise here, because for every one dollar you spend in constructing a building, you're probably going to spend at least 10 to 15 dollars operating and maintaining that building over its useful life. So this is not an inconsequential issue. This is of great significance to your budget and your operation capability.

Before you ever hire anybody to do the O and M, you first have to optimize the environment in which they'll operate. A traditional long-standing and still existing problem is getting good as-built drawings, getting good training materials, getting good documentation, getting all those close-out kind of activities that you need to be able to provide even if you're going to use in-house staff. You need to be able to provide that to them so they can perform good O and M, and

those are traditionally very, very difficult things to get achieved by the end of contract performance. So the contractor wants to turn over the paperwork and get the heck out of there and get their final payment.

The way we addressed that and helped to solve that problem was, again, through the use of award fees on the design and construction contract, the design-build contract, and we did something a little unusual. Normally with award fees, you conclude the award fee period when the construction ends and you turn over the keys and the customer comes in. We extended the award fee period for at least a year beyond the point in time when the customer moved in, and the award fees during that period of time were driven by how well the contractors performed things like completing the as-built drawings and turning them over with documented accuracy, turning over your training materials, turning over your operations and maintenance manuals, etc.

So the contractor had an incentive, a

strong incentive to conclude those end of construction activities that so often get shortchanged. With those things, you now have an opportunity, a solid foundation, a base to build a good O and M program on.

The next thing is what's--you can kind of approach it from two directions, and I typically approach it from a direction. The two directions are you can say what is the optimum operations and maintenance program for this building, and you figure that out. That's not the way I typically did it. I did it the other way, which is how much money have I got. I mean how much money are they going to give me each year to operate and maintain this building. Now, given that that's the only amount of money that we're going to get, what's the optimum operations and maintenance program given that much money, and you start making your tradeoffs, and usually there are a lot of tradeoffs involved because it's pretty darn rare in the Federal Government that get sufficient O and M money to actually do all the things that you need

to do, but you start saying what are the things I really absolutely have to do and what are the things I really want to do and what are the things that would be nice to do and build the program that way.

That's the best I can do to help you.

GENERAL WILLIAMS: Okay. Are there other questions or, should I say, comments on this dilemma on O and M, operations and maintenance?

MR. ZINGESER: Just, again, I apologize for asking questions rather than providing information, but at one time, we talked about remote operations and off-site management. Is that something that's part of the program now or happening more and more?

GENERAL WILLIAMS: Is it part of the program?

AUDIENCE MEMBER: [Inaudible comment from individual away from microphones.]

MR. ZINGESER: Generally, this is sort of the other side of the same coin that Lee was talking about. Award fees are fine and incentives

are fine. We sort of like to think that contractors ought to do and will generally do what they're supposed to do and they get paid to do. So however that comes to them, you're right. At the end of the day, if they don't what they're supposed to do, they shouldn't be get paid, but if they do, they should.

With the growing emphasis on commissioning and full commissioning, which is a process that starts earlier than later, and tying that also to programs such as lead certification or other similar-type programs, it's definitely a front burner item, at least in our world and I think for most contractors at this point in time. So we need to be there, we need to be working with the staff or the leader, those who are going to be responsible for the management of the building earlier than later and getting all that training done and getting all of that information out; and the problem I can't speak to is where do you find those find those people, you know, where exactly, and I understand that's part of what you're really

asking, but that goes back to the other problem as an industry as a whole. We've got human resource problems.

But I'd like to think that the operation and maintenance and what to do on new facilities is becoming less and less of a process issue, at least in terms of the turnover of the facility. I mean, it's definitely in every contract that we're signing these days, and I expect it to be further enhanced.

GENERAL WILLIAMS: Thank you, Joel.

Anything else from the staff on this?

Yes.

AUDIENCE MEMBER: I'd just like to enter one specific example from my experience doing condition surveys. In Pretoria, the maintenance supervisor started out as part of the mechanical subcontractor. So he saw the building from the point going up. He then was retained by the embassy and has maintained that facility, which I'm sure you know, General, is very well maintained over 12 years. He has such pride and he knows

where all the good points and bad points are for that facility.

So I would make a strong recommendation to all the project executives and construction managers, as they're watching the construction going on, to keep a very close eye on who are the sharp people there, because most of them know and particularly those in countries where there's not a lot of construction going on, this is a great job for two years and they can have another job for another 20 years if they're doing a good job at the U.S. Embassy facilities.

GENERAL WILLIAMS: Thank you. Are there other comments around this issue?

Yes. Mary.

MS. LEWIS: I guess one thing to maybe consider is moving this conversation early on, that the cost of owning, operating, and maintaining a facility is determined at the very beginning of a project. It's determined when you know what the standard embassy design is. It's determined in making selections of materials and equipment. So

that's at a point where operations and maintenance ought to be considered quickly, competently, and from a big picture perspective, because that will determine the types of people you need later on.

GENERAL WILLIAMS: Okay. That's a very interesting point. Are there other comment on this subject? Anything else from the staff?

AUDIENCE MEMBER: [Inaudible comment from individual not at mike.]

MR. EVEY: I have very strong opinions about that, because I don't know anything about it. So I don't have to be constrained by facts or anything. The environment in which I operated in was primarily one that was going to be a government workforce that took over, and they had their own training programs, etc. I would say that the things that were the most challenging in that environment were the new technologies that were coming on board. Okay?

In general, design construction still kind of pretends like information technology is a different world, and if you look at the 3D-4D

programs that are coming out, the most advanced 3D-4D programs right now can address structural, mechanical, electrical, plumbing. They have no package for IT. That's something else, you know.

And so that area is highly challenging from the technical perspective, difficult to find people to do, and not particularly well addressed by the design construction world right now. I think those are areas where developing three 3D and 4D capability and technology is really going to help us a lot. When you can have that single set of drawings that goes all the way through inception, when you're playing and conceiving, you know, coming up with ideas, all the way through operations and maintenance, and it's a single set of software that supports all that, it will go a long way toward supporting more effective training programs.

Other things like--you know, 3D right now can do a pretty good job of what's called primary interferences, which is if you're trying to run a pipe through a beam, when we did that on

Wedge II, and this was kind of an experiment for us, our first 3D stuff on Wedge II, we pushed the button that had the software that automatically identified all of those circumstances. There were 2,200 of them like that, and like 30 seconds later, we knew we had 2,200 interferences.

Now we had some learning to do with respect to that, because it showed every interference. One of the things we learned is that we had to re-establish the parameters and say if it's smaller than a four-inch pipe, we don't care if it's an interference because we work that case by case, and that got rid the vast majority of those things, but the software helped us identify those kind of issues and problems, and the software can already do a pretty good job of that. The software is starting to come to grips with secondary interferences, secondary interferences being things like the empty space you need around a piece of equipment or a device so that it can be properly operated, maintained, and repaired. Okay? It's starting to come to grips with that kind of

stuff now.

I think the utilization of that software will go a long way toward making just the process, the physical activity involved in operations and maintenance more efficient and easier to accomplish and less costly. So that's one thing that will help us a lot.

Beyond that, you know a lot more about it than I do.

GENERAL WILLIAMS: Okay. Thank you very much.

Yes.

AUDIENCE MEMBER: [Inaudible comment from individual away from microphones].

MS. LEWIS: Well, it is part of that whole conversation of, you know, you're establishing all of your criteria for operations and maintenance very early on in the design because of the layout, the equipment, the materials you use, you know, if you're selecting linoleum versus VCT or something. You've got different maintenance requirements for those or roofing materials or HVAC

equipment, and so you're making decisions early on that have a dramatic effect on the cost of owning and operating; and so early on, you should be having the O and M people in on a conversation very early to help make those decisions.

GENERAL WILLIAMS: Yes. Please.

MR. ZINGESER: Just a quick point also, at the end of the job, especially in the days to come in the future where we're using BIM or even just even more sophisticated CADD systems and so forth, we'll have good data bases, and today what we have is as-built drawings hopefully that are done well and in place. Within a matter of two or three months, if not two or three weeks, after the building is turned over, things changed.

Maintaining those data bases in paramount in this O and M world, especially, again, as we have the tools and resources to do that. I can't tell you how many buildings that we go in and just start with a blank piece of paper and people have been working in that building for a long time.

So that's really smart on your part to

recognize that that's a job that needs to be done as the building gets occupied and keeps going forward.

GENERAL WILLIAMS: Okay. Thank you very much for that portion. We have one more that we want to look at here, and it has to do with whether or not you have any concerns at all, that is the panel, with the adoption or the use of foreign building codes when they're considered to be comparable to ours.

I don't know whether that touches everyone across the panel, but those of you who may have had some exposure with foreign building codes, we just want to try to do a litmus test on that and see what your views are.

Yes.

MR. ZINGESER: Dave Conover is in the audience from ICC, and he and I were talking about this issue before the meeting started, and I hope Dave will take the microphone in a minute.

The principal issue that I see relative to the question of codes is what standards the

codes reference and then whether it's the U.S. Code or a foreign code, you know, the code spells out certain dos and don'ts, but then at the end of the day, there is a lot of standards that are referenced and they're material standards or other such standards, and it's the litmus tests that are used to see whether or not the given products meet the code via the standard that comes into play, and in today's evolving world of international standards and who is using what standards, we'd like to think that the world is getting smaller and there's a lot more commonality.

Candidly, I used to be very much involved with this issue up about until about five years ago when I was at the National Institute of Standards and Technology and responsible for codes and standards in the building industry, but I've been away from it a little bit myself, and Dave is sort of emersed in it. So if it's okay with you, maybe Dave can talk about this a little bit.

GENERAL WILLIAMS: Yes.

MR. CONOVER: Hi. Dave Conover, ICC.

Just a Couple of comments: One, I guess is the issue of the equivalency of foreign--we'll call it regulations, codes, and standards to the U.S., and certainly you can say if "A" equals "B" and "B" equals "C", then "A" equals "C". One issue is who makes that determination of equivalency. Is it the design-build contractor? Is it you, the client? Is it the Department of State? What's the basis for determining equivalency? That's one issue.

I could argue or make a point that the use of foreign building codes as opposed to U.S. codes and standards adversely affects U.S. trade, and that's an issue with respect to the Department of Commerce, the International Trade Administration where codes and standards are now one of the new barriers to trade and affecting the application and use of U.S. products and technologies abroad.

So codes and standards can be looked at as barriers to trade and certainly use of a foreign code or standard might preclude the use of U.S. products, but, on the other hand, it helps with

procurement work at the local level. It may be better politically and otherwise to embrace and utilize technology in a particular developing country as opposed to the U.S. Certainly I would make a comment about familiarity of various issues by the contractors. Who's over there doing the work? Are they U.S. contractors? Are they familiar with the foreign code? Or, conversely, are they foreign contractors and are they familiar with U.S. codes and standards?

But the way the question is put, it's equivalency of the building code. I think it's broader. As Joel said, it's codes and standards. It's mechanical. It's plumbing. It's electrical, etc., but really the larger issue in my opinion is the subject of conformity assessment. We can have and we're working towards global acceptance of, well, the Germans are equivalent to the U.S. or equivalent in to Brits. In terms of statement of requirement, 100 kilometers per hour, 62.1 miles per hour, they're the same, but the issue of conformity assessment is testing laboratories,

quality assurance agencies, evaluation services, and the like. That's the bigger barrier, because you can still have everybody using the same book, but the issue of conformity assessment, in my opinion, could force, for instance, a U.S. manufacturer that's had their product tested and listed to say U.S. code or standard have to--even though a foreign standard is determined by you to be acceptable for use in a DOS building, maybe from a foreign standpoint, they still have to retest or re-list their product for some reason because the French decide that they don't want to accept a UL listing or a CSA listing, etc.

So I would only comment by saying and summarizing, and I appreciate your time, it's not just the issue of equivalency of the requirements themselves, but I believe that bigger issue is the issue of conformity assessment and how you measure and express whether a particular product, system, design, software, anything you're using does or does not meet whatever criteria you've established.

GENERAL WILLIAMS: Thank you. Are there

comments from the panel members?

Thank you very much. Let's take one last shot at a piece of real estate here, and if you look at eight and nine and lump all of that together, and it will probably be more confusing after you put them together, but the real issue is, you know, this is--we have about 15,000 properties around the world. We lease. We buy. We dispose of. So we are a big, big Cushman and Wakefield, if you will. So we're seeking some very general information from you, how you feel and your thoughts about sort of how we go about doing that.

Patrick McNamara can speak to a collection of eight and nine and give you some of the concerns about it, and we'll see how you respond.

Pat.

MR. McNAMARA: Thank you, General.

As the General said, we use a variety of real estate consultants all around the world for a variety of tasks. We use them for site searches for new embassy compound sites. We use them to buy

property and help us lease property, sell property. We use them to do market research, and we're constantly looking for ways to leverage these kinds of consultants to help us to do more so that we can do more with fewer people.

I'm just interested to know to what extent you all use real estate consultants and how you use them. Some corporations, for example, partnership with real estate firms. They outsource their real estate activities, that sort of thing. So I wonder what your experience has been using those kind of vendors.

Secondly, in terms of performance measures, we have hundreds of performance measures in place throughout our bureau, throughout OBO, all the way from the top level all the way down to the branch level. Many of them are tied to deliverables. For example, in real estate, we're tied to how many sites we deliver each year, whether we hit certain targets in terms of sales and acquisitions.

So, again, I was wondering if you have

performance measures in place in your organizations, what kind of performance measures you use and how you measure things.

GENERAL WILLIAMS: Okay. You heard that. If you like at all, just say yes. If you have comments, let us know.

[No response.]

GENERAL WILLIAMS: Well, Patrick, I think you're on the right track.

MR. McNAMARA: Thank you. I guess I stumped the panel.

MR. ZINGESER: The problem I think that we--well, I'll speak for myself. The problem that I have, of course, is that we're not involved with it.

GENERAL WILLIAMS: I know that.

MR. ZINGESER: And we lost our leading expert who would have said something that we could have all reacted to and then we would have been off and running.

GENERAL WILLIAMS: That was the genesis of my statement.

IV. QUESTIONS AND ANSWERS

GENERAL WILLIAMS: Okay. What we will do now at this point, we have pretty much explored what we want to do, and we want to make certain that we are sensitive to your time, because this is Washington and you have other places to get to before you close the day out, and we've always been very respectful of the time, and we want to make certain that we get all the work done and everybody can be out of the building by 3:30.

I think at this point, I would like to do several things. First, I really want to thank the panel for being with us today and particularly those who are substituting for the principal members. Lee has been very active as well, and of course we would invite him to come back in his capacity if Craig cannot make it, and the rest of the panel as well.

Before I turn to the visitors and those of you in the audience to have an introduction and the like, I would like to see if any of the panel members would want to have a concluding comment

before we proceed with that, starting with you, Mary.

MS. ANDERSON: I think in light of everything that's going in our world today with Katrina, Rita, and everything else in the world, that America is awakening to the sense of vulnerability and mortality, and the program, the OBO program, in place to build these structures, to safely house and be places where we can have our people around the world is something that is a very strong statement and a statement of encouragement. And Lee mentioned patriotism and a sense of patriotism and being able to be a part of this process and contribute to this panel.

I thank you.

GENERAL WILLIAMS: Thank you.

Lee, do you have any observations?

MR. EVEY: I think you have probably heard enough from me, but I would just say, very briefly, I envy all of you who are here from OBO, and I mean that sincerely. I've had a little bit of insight into the kinds of things that you must

wrestle with. I had my opportunity in Baghdad to try to do foreign construction, and it ain't easy. It's extremely challenging, but at the same time, the impact that you have on Americans is significant, and the impact that you have on the countries in which you work, the relationships that you develop with the people there, the friendships that you gain as a result of being there are really quite extraordinary.

So I mean it sincerely when I say I envy your opportunity to come to work each day and face that kind of challenge and that kind of opportunity.

GENERAL WILLIAMS: Thank you, Lee.

Mary Ann.

MS. LEWIS: Thank you, General. I want to thank you once again for letting me represent Save International on the panel. We sincerely appreciate the opportunity to talk about value engineering and how it can help projects, and we work from a lot of federal departments and agencies, and I think you folks are the most

open-minded people that I've ever worked with, that you are so open to new ideas, and I really appreciate the opportunity to participate on this panel and to help out.

GENERAL WILLIAMS: Thank you.

Gary.

MR. HANEY: Thank you. This has been my first meeting, and I must say that I'm pleasantly surprised at the openness of the discussion, and I look forward to continuing that in the future, and I think on behalf of the American Institute of Architects, who I represent here, while I'm a design architect, I hope that during my tenure on this panel, I can express that architects can offer a lot other than just drawing and pretty pictures and that we have a lot of offer the process throughout the process, and I hope that I can be of service to the panel in that regard.

Thank you.

GENERAL WILLIAMS: Thank you.

Joel.

MR. ZINGESER: Thanks. Again, it's

always a pleasure to be here and participate in these discussions. As a representative of an AGC, I want to thank you and your staff for participating in a little liaison meeting that we had which we, I think, feel is the beginning of an ongoing opportunity to continue dialogue and to talk about some of the drill-down issues in implementing the program.

I feel very strongly personally about this program and its success and, again, would like to see wherever opportunities exist for the program to enhance certain other aspects of what we are doing as a nation, for example, this area of using foreign standards as it may be appropriate in facilitating U.S. trade by doing that. That would be great, but again, I would--this is an implementation program. You know, I really think it's critical that we just get on with it and we keep drilling down and finding out what little things we need to do to make it better and get more done and meet your two-year goals one right after the other.

GENERAL WILLIAMS: Thank you, Joe. I couldn't say it any better.

MR. ZINGESER: Thank you.

GENERAL WILLIAMS: Richard.

MR. CHACE: Thank you, General. I appreciate you allowing me the opportunity to serve on this panel and I very much appreciate the interaction with my fellow panelists.

I travel quite a bit, and as I travel throughout the world, I'm very acutely aware of the role that I'm potentially playing, and that is that I'm representing the United States, whether it be in private business or face or face or one on one with somebody who is not part of a business meeting, and that becomes a huge responsibility when you begin to look at our role in the world and how it is changing and how we're perceived, and it becomes an awesome responsibility, and part of the joy I get out of this panel is that we're talking about not only the face of the United States, but also through our policies and our physical presence in these countries, and it speaking volumes for the

fact that the kind of a care and attention is put into the face that we put on for these different countries and the fact that we're showing respect through some of our designs for local architecture and local customs is extremely important to counteract the perception of arrogance that sometimes exists in the world about us.

It's very humbling to go out around the world and find out the different perspectives that people have on the U.S. I love my country and I'm a patriot first, but it is very humbling when you begin to explore the world through other nation's eyes and how we're perceived.

So it's very important for me to be part of this committee and this panel to provide whatever insight I can, and as long as I'm of value, I hope I can maintain that.

GENERAL WILLIAMS: Thank you, Richard.
Todd.

MR. RITTENHOUSE: It's tough to be the anchor of this part. I've been here for several years now, and I truly enjoy it, whether it's

representing an entity that does a lot of work with the State Department or the ASE who is very interested in what's going on here. What surprises me is the amount that--you know, you ask us to come here and give you insight into our business, and yet we take away much more than we give, and that's one of the things that I look forward to, is hearing how other people in the private side do it and some of the concerns and how they echo the exact same concerns that we have.

So it's really been a joy, and I appreciate the opportunity to come and help as I can and take away some good information.

GENERAL WILLIAMS: Thank you.

It's really all about partnership, and, yes, we're open. There were people in the important department that were very nervous when we started this three and a half years ago, but I've had a few sparks of success in my professional life, and it's been a part of looking every person in the eye, doing a lot on a handshake, using paper only because it was required, but you really get

things done by trusting and having mutual respect for opinions.

We have a tough program that everyone knows that was not going well five or so years ago, and we want it to be transparent. There is nothing to hide. We are dealing with public money. Even dealing with our contractors, we're very open in terms of what we have to apply to each project.

We think this is the way to go and it's good government. We've never had any trouble filling slots on our panel. I'm encouraged and, quite frankly, it helps me to know that there are people willing and able to stand and help me sort through all of this.

So for that, I do thank you very much for your attendance and your continued participation.

Now we want to do a couple of other things. We want to give those who have come to visit--this is another dimension, and I was told three years ago you are crazy to allow this to happen, but I have done it. I don't follow too

many of those things anyway. Most of you all know that. I'm sort of a creature of myself.

So I do want to give everyone the opportunity to say who you are and greet us so we can recognize your presence, because we wouldn't invited you or made this open if we didn't appreciate you being here.

So we'll start with the gentleman on the front row.

MR. UBBELOHDE: My name is Kurt Ubbelohde. I'm representing LEO Daly. Our corporate headquarters is in Omaha, Nebraska. I'm a first time attendee, although somebody from my firm has been here once before, and much of what occurred today resonated with me, having been recently military transitioned, familiar with the Society of American Military Engineers, and perhaps biased, but I can certainly corroborate that you can find talent out there as they leave the military and certainly can succeed.

The other thing that I would mention is that my last assignment in the military was in

northern Iraq where I was responsible for the reconstruction of behalf of the United States Army Corps of Engineers. So a lot of what we talked about today, working in a foreign environment and some of the challenges, I certainly have experience with, and you guys are right on the mark.

Thank you very much, sir.

GENERAL WILLIAMS: Thank you.

And the gentleman behind?

MR. KUMI: My name is Charles Kumi. I'm with the S.C. Myers and Associates. We've done some work for the State Department through various subcontractors. We've done some work with D.C. Public Schools and others maybe three to five years ago.

GENERAL WILLIAMS: Thank you.

MR. KUMI: We appreciate the opportunities that you provide in value engineering, construction and services. Thank you very much.

GENERAL WILLIAMS: Thank you.

The gentleman behind Shirley.

MR. CIOTOLI: Thank you. My name is Peter Ciotoli. I'm with Weston Solutions. We're an engineering and construction company. This is my first time at this meeting. My primary mission here was to learn more about the Department of State, about your challenges and your issues, and you really enlightened me in terms of what you're facing, and there was a lot of good dialogue among the panelists. My congratulations to you.

My take-aways to the folks in my company is that you have a very challenging program here and you're looking for get-it-done-type firms to help you with that program, and you're looking for sustainable solutions also. So those are my two take-aways.

GENERAL WILLIAMS: Thank you.

MS. HUTCHIN: Nancy Lee Hutchin, General Dynamics Network Systems, and this is my fifth, I think. Thank you.

GENERAL WILLIAMS: Thank you.

Yes.

MR. GALLOWAY: Tom Galloway. I

appreciate the opportunity to come and be a part of such an open forum.

GENERAL WILLIAMS: Just for the record, I don't have anything to do with the maintenance of Main State. I'm all overseas, and that's all I'll say on that subject.

Okay.

MR. KNAPP: My name is David Knapp of H2L2 Architects based in Philadelphia. We've done probably about 50 projects over the past 10 years for the international schools based overseas for the American embassies. So we've been doing quite a bit of work for the children of the American embassy worker.

I think it's pretty interesting to see some of the similarities to the same problems that we have over there as well to what you've been discussing today as far as security, procurement, and that time of situation. So for us, it's been very helpful.

GENERAL WILLIAMS: Thank you. Glad to have you.

The gentleman next to you there.

MR. STEVENS: My name is Brett Stevens. I'm also with H2L2 Architects and Planners, and one of the areas that I oversee is all sustainable and green building design for our company that we are also trying to start to incorporate as well in our international projects.

GENERAL WILLIAMS: Thank you.

MR. RICO: Jerry Rico with Skidmore, Holmes and Marrow. I just want to make a brief comment, General, on, I think it was Question No. 3, and it has to do with clarity. I'd like to weave a couple of brief comments together. Regarding substitutions, I think there's a tremendous amount of institutional knowledge that all have here at your program at all your team levels, and if you can weave that back into perhaps Section B and actually define that and offer that clarity to the D-B community up front so that there's an understanding going into the bidding process exactly what flexibility would be entertained, I think that would be helpful in the

process.

GENERAL WILLIAMS: Okay. Thank you.

MR. CONOVER: I'm Dave Conover. I'm with the International Code Council Headquarters in Northern Virginia. We oversee a process for the development of model building codes and standards that are adopted by the federal, state, and local agencies and provide support for those agencies such as Department of State.

Thanks for your hospitality.

GENERAL WILLIAMS: Thank you.

MR. COOK: My name is John Cook. I'm with CEI Group International. We are an OBO contractor in the Facilities Department section, done work with OBO overseas in Tashken and Sri Lanka and Moscow. This is my first time here, and I want to thank you for inviting me. I thought the panel discussion was very interesting. I would like to just tell you all that from a roofing contractor standpoint, keep the new construction design guys talking to the re-roof facilities people that have to fix them and repair them and

maintain for the next 20 years, because that makes sense for everybody and makes the dollars come down quite a bit.

Thank you.

GENERAL WILLIAMS: Thank you.

MR. MCCHESENEY: My name is Stan McChesney. I'm with Waldbridge Aldinger. We're an international general contractor. This is our first meeting, first visit. Thank you, General Williams. I'm very impressed with the program, and we're looking to participate.

GENERAL WILLIAMS: Thank you.

MR. HAVASS: My name is David Havass. I'm with Building Technology, Incorporated, an applied building research firm in Silver Spring, Maryland, right up to the road. We've been in business since 1971.

This is my second visit here. Three months ago, I was here. Thank you for allowing me to come in as a visitor, and I've learned more today than I did last time. So I'm looking forward to the next visit.

GENERAL WILLIAMS: Thank you very much.

MR. WHIDDON: Bill Whiddon with Building Technology, Incorporated as well. We do management consulting to the building industry. It was a great panel today. Thank you, General, for having us.

GENERAL WILLIAMS: Thank you.

Let's see. We can start in the back with the two ladies and come down.

MS. SHAPIRO: Wendy Shapiro with Fanelli, McClain Design Studios. We design interiors, a small firm in Fairfax. I very much enjoyed the panel. Thank you.

GENERAL WILLIAMS: Thank you.

MS. DEL PILAR: My name is Jessica Del Pilar. I'm with Fentress Bradburn Architects. We have an office here in D.C., and thank you for inviting me.

GENERAL WILLIAMS: Thank you.

MR. SMITH: Chris Smith. I'm with the Barbour Group. We are a construction bonding and commercial insurance agency with a particular

emphasis on international bonding. I appreciate learning with you.

GENERAL WILLIAMS: Thank you.

MR. ABLETOFF: I'm Paul Abletoff with WPS Emergency Planning. We're a company that's developing energy action plans for state facilities as well as other government agencies.

GENERAL WILLIAMS: Thank you.

MR. WRIGHT: I'd like to thank the whole panel. My name is Steven Wright. I'm with Goldmark Systems. We provide glow in the dark signage for egress, getting in and out of buildings, and I just thought--this is my first time experience, and I just really enjoyed the whole panel, and I picked up so much notes now, I'm going to have to spend a couple of hours kind of re-capping a lot of those.

We are a small woman-owned business, and we're here to support a lot of the property management and facilities management people.

GENERAL WILLIAMS: Thank you very much.

MS. VELEZ DE BERLINER: I am Maria Velez

De Berliner with Latin Trade Solutions. Thank you, General, very much. In particular, thank you, Gina, for inviting me and insisting that I will be here. One of the specialties of my company is security threat analysis in the western hemisphere from Mexico to Argentina.

As a person who had the privilege of being accepted to citizenship in the U.S., I need to tell you, General and the panel and my fellow visitors, I am touched deeply by the transparency of this meeting, and throughout it all, throughout the back of my mind, I was saying something like this could never happen in Latin America, and I am very proud to be an American citizen, and I am very sorry I cannot draw a straight line, because if I could, you would have my application right now.

[Laughter.]

GENERAL WILLIAMS: Thank you.

MR. BROWN: I'm Bill Brown. I'm with Page, Southland & Page, architects, engineers, and planners. This is my fourth visit. I just wanted to make a quick comment on the hiring since I have

spent a lot of time on college campuses these days.

I think it's important to understand the demographics right now. We have more women in engineering schools and architecture schools than we have men right now, but we have more men graduating than we have women, and we're trying to look at that trend and see what is happening, because traditionally more women graduate than men.

The only other thing is we're using recruiters at least--no more than three to five years out of school because they can relate more to the students than the gray-haired people. And the final thing I would recommend is on the spot hiring committee commitment. I tried it one time. We got 19 people to sign up on the spot, and 11 showed up that day. It appears that if you can offer them a job on the spot, that's sort of a commitment to those individuals, and it seems to work very well.

Once again, congratulations on the panel.

GENERAL WILLIAMS: Thank you.

Okay.

MR. SHEPARD: General Williams, distinguished panel, thank you for inviting me. I am Ben Shepard with project developers. We are skip experts and R.F. shield design experts. We do a lot of work with OBO. Again, thank you for inviting me.

GENERAL WILLIAMS: Thank you.

MR. KRETSCHMER: I'm Tom Kretschmer with Enclos Corp. We are designers and fabricators and installers of exterior windows, doors, curtain wall products. We are currently supplying and installing product on your project--one of your projects now.

Again, I want to add my thanks for a lively discussion, actually on topics that face you, but also face our companies also.

Thank you.

GENERAL WILLIAMS: Thank you for being here.

MR. WATERS: I'm Scott Waters. I'm with Kling Architects, Engineers and Planners. Over the years, Kling has done quite a few projects with

OBO. I'm a first-time participant here, and I found the panel really informed and definitely open, and I really enjoyed it.

So thank you very much.

GENERAL WILLIAMS: Thank you.

MR. COOPER: I'm Alan Cooper, also with Kling. I'm a studio director for the Interiors Division here in Washington, and I wanted to thank the panel for a very interesting and lively discussion here today.

GENERAL WILLIAMS: Thank you for being here.

Yes, ma'am.

MS. MACLEAN: I'm Kimberly Maclean. My company is Druids Woodworking. We're an architectural and woodwork and mill work company. We've been an 8-A. We're also woman owned, and I'm here to learn about the opportunities. It's my first time, and thank you very much.

GENERAL WILLIAMS: Thank you.

MR. SHIRVINSKY: Hi. I'm Adam Shirvinsky. I've been here a number of times. I'd

like to thank everybody for inviting me again. Again, lively discussions, very good topics, and some great nuggets for some of my clients.

I'm real interested in the future efforts that you have specifically relative to the technology insertions. I really think there's some very serious areas that we can gain some great things. The market is really changing right now on a number of fronts, and then relative to small business and the inclusion of small business, I just appreciate the support that the OBO provides to that community.

Thank you.

GENERAL WILLIAMS: Thank you.

MR. CARBONE: Rich Carbone, OBO director for the Peace Corps. It's always a pleasure to be here.

GENERAL WILLIAMS: Thank you.

MR. LOWE: I'm John Lowe with WBG Architecture here in Washington, D.C. I want to thank the panel. I thought the discussion on benchmarking and best practices in the commercial

industry and how they apply to the federal procurement of buildings and spaces was very useful. We have skills and quite a bit of interest in the sort of integration of project planning and how that relates to the design of projects, the SED and aligning that with the SRP, etc.

So thank you very much for my being here.

GENERAL WILLIAMS: Thank you.

Yes, sir.

MR. CHANDLER: I'm Charles Chandler from Wrightwood Properties here in Arlington. We're a small business, a real estate services contractor, and we provide real estate transaction and asset management services and general management consulting, such as policy and procedures, brokerage, and program assessments. Thanks very much.

GENERAL WILLIAMS: Thank you for being here.

Next.

MS. INGABRUTSEN: Hi. Not to be too

repetitive, but the discussion was really interesting and I think very useful, and I thank you all for that. I'm Joyce Ingabrusen and I'm with Hinman Consulting Engineers. We're an OBO consultant for blast engineering, and I'm with the San Francisco office.

GENERAL WILLIAMS: Thank you.

MR. BEST: Hello. Ken Best with Hinman Consulting Engineers also. As Joyce said, we're a blast consulting engineering firm. I'm initiating the Washington, D.C. office now and look forward to working with everybody.

GENERAL WILLIAMS: Thank you.

MR. WIGGINS: Hi. I'm Brad Wiggins with Norshield Security Products. We've been in business for 24 years securing the General's buildings over all over the world. We're currently working on six as we speak. I'm particularly interested in the discussion about value engineering and life cycle costs. It's near and dear to my heart, and I'm encouraged that the panel is considering taking a hard look at that, because

I think it's very much needed. Thank you for having me here today.

GENERAL WILLIAMS: Thank you, Brad.

MR. HAYNES: Hello. I'm Tom Haynes. I'm also with Norshield Security Group. As Brad said, we've been securing the General's embassies. We produce the Department of State certified ballistic and forced entry rated windows and doors along with blast rated windows.

Thank you for having me.

GENERAL WILLIAMS: Thank you. Thank you for being here.

MR. GOLDBERG: Hi. Andrew Goldberg with the American Institute of Architects here in Washington. I just want to thank you for having us on the panel and thank you for the discussion.

GENERAL WILLIAMS: Thank you.

MR. YOUNGBLUT: Michael Youngblut. I'm a surety and risk management expert with Hess, Egan. We're national and international contractors, and what I appreciate most about your participation is hearing your opinions and your

attitudes and also appreciate the sharing of your knowledge on the information.

GENERAL WILLIAMS: Thank you.

MR. GOLDBERG: My name is Larry Goldberg. I'm a colleague of John Cook of CEI Group, who you heard earlier. Thank you for the opportunity to visit. It's been very, very mind broadening, and we've certainly enjoyed listening to and hearing what you've got. I have some work to do now.

GENERAL WILLIAMS: Thank you.

MR. FALLON: I'm Perry Fallon. I'm with the Associated General Contractors of America. We're really proud that we're sitting on the panel to have some input with State, and we're very excited about the new task force that we're doing, and we're looking forward to continuing the dialogue and trying to help get everybody in the same place, and I sure do appreciate being here.

Thank you much.

GENERAL WILLIAMS: We'd like to thank everyone for your identification and the comments

you made. It's not by happenstance that we invite you to identify yourself. You're important to us. You come and you are a visitor. That's the role you play, but you are an interested party. So we feel that we need to take the time to recognize your presence. This may not be the way others do it, but this is the way we've done it for the last four years.

I personally think is the way government should run. There should not be any secrets. There should not be any fear of sharing, because at the end of the day, we're all trying to do something at least in our business very useful for the most precious commodity that we have, and that's the protection of people.

So we are very sincere and purpose driven about what we are trying to do here, and your attendance and your participation is very meaningful to us.

So with that, thank you so much for being here. I do want to close out by recognizing, once again, our recorder, although she is paid, but

she is still a member of this organization. We thank you so much for your diligence in taking good minutes, and they do have to be good. She knows that.

Once again, I want to thank Gina, who you all know, but it's like American Express, I wouldn't go down this road without her. She does it quite well.

[Applause.]

GENERAL WILLIAMS: She's one of the best marketeers we have in the organization, and she does quite well. She's always fighting for the industry, and I think that's wonderful. She's very balanced with her approach about all these things.

MS. PINZINO: Sir, thank you. I'd like to thank you and all of the participants. It's really easy to market when you have a fabulous product. I let the product do the talking, and people come to me.

So that's the way it is, and I just wanted to mention to all of you, as you know, in the front of the booklet, we have our next date for

the industry advisory panel meeting, which will take place on December 15th, and for those of you who have not yet had an opportunity, because I know you've been very busy and that's why you haven't had the opportunity, to register for Industry Day, that's also at the back of the book as well.

So thank you.

GENERAL WILLIAMS: Then, of course, senior staff who has been sharing the podium with me, we thank you as well.

Until we meet again.

[Whereupon, at 3:38 p.m., the meeting was adjourned.]